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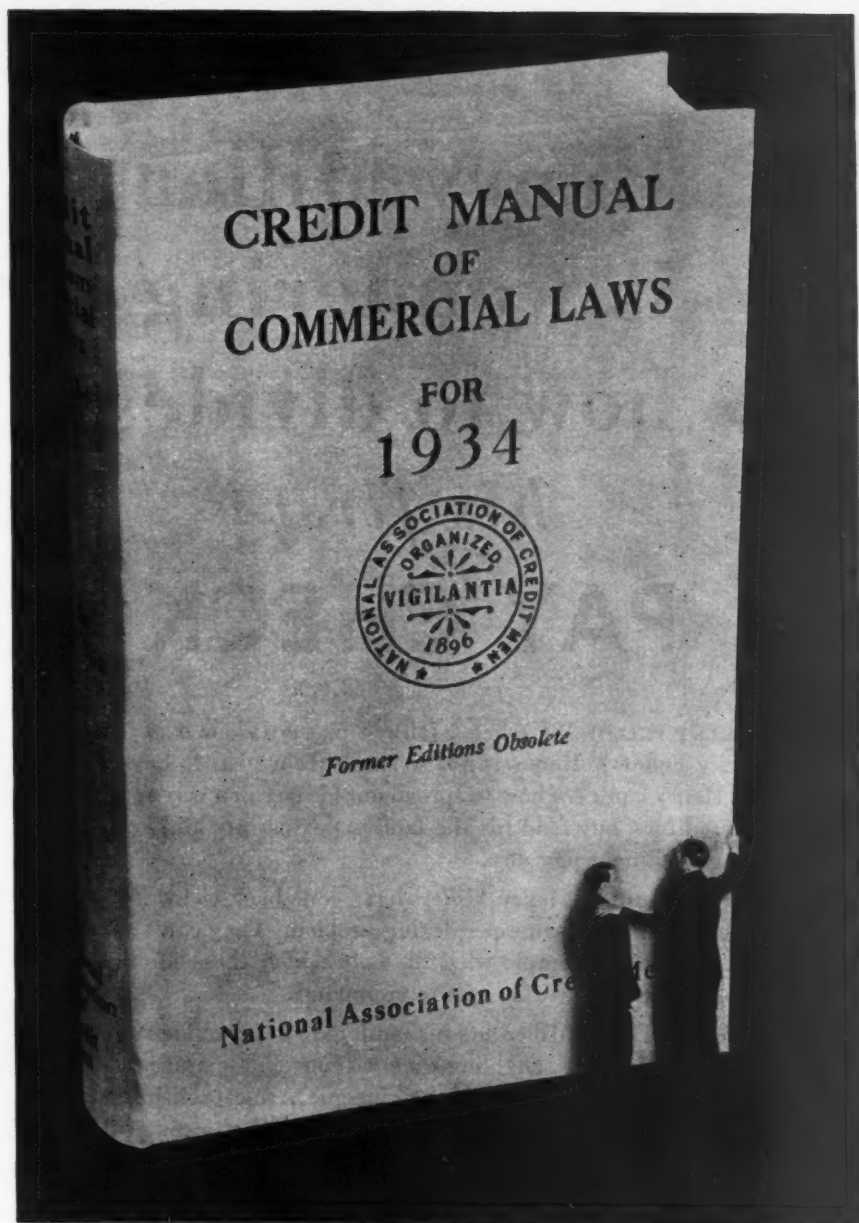
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Looking ahead

CREDIT AND FINANCIAL MANAGEMENT's annual three-page analysis of the bankruptcy situation, based on the Attorney-General's report, will feature our next issue.

Continuing from this month, we will present the third of the money articles by Mr. Heimann and the sixth by Mr. Tregoe on the history and personalities of the N. A. C. M.

Other features will be the regular quarterly survey of Latin-American credits and collections, an article on the necessity of enforcing terms, another in our series of insurance pointers and a special piece prepared by Paul M. Millians, Vice President of the N. A. C. M. and a credit leader of outstanding merit.

Our cover

This month we feature the spirit of this new (deal) year—full speed ahead. Artist William Roscow vouches for the authenticity of the signals; the coming months will present, we expect, a justification for their optimism.

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Foundations

EN More recently, when visiting a small city in one of the Mid-western States, I noticed a crowd gathered in front of one of the smaller retail establishments. Closer observation revealed that the store was jammed with customers. I remarked to my friend that here, at least, was one business that was flourishing. He promptly informed me that it was a bankruptcy sale. The man who had conducted the business, he said, was the young, rather dejected-looking individual who was walking slowly down the street.

I turned to go into the drug store to purchase a cigar and I noticed that the young man, who had lost his business through bankruptcy, had preceded me into the store. In a manner as pleasant as possible, I struck up a conversation.

It seems he had been a farm boy before he made his retail venture. When I asked him why he had gone into the retail business he said that his father had often expressed the opinion that he "would make a good merchant some day."

He added, rather sorrowfully, that he guessed his Dad was wrong, since he had failed in business. I learned that he had had no previous experience in the hardware business, in which he had embarked, and that his total business experience was in farming.

Then I asked him what he did on the farm that caused his father to predict success for him in merchandising.

He replied that he had specialized in hogs. And he became animated when he spoke to me about his success in the hog business. He had started with just a few hogs and finished with a total capital of \$10,000, which he promptly proceeded to invest in the retail hardware business.

I turned to the young man.

"Your father was right," I said. "You will make a wonderful merchant, but you will make a *hog* merchant, not a hardware merchant. You know the hog business, you have served your apprenticeship, you have experience in it. That is the business you had better get back into just as quickly as you can."

He looked at me. I saw the light of hope enliven him. As I was leaving he said, "Stranger, I think you are right. I know now what I am going to do."

If the depression years have revealed anything it is the penalty every one pays for lack of capacity in business. For example, would the banking collapses have been upon us had our bank personnel been trained from youth and had apprenticeship been ex-

acted of them? If the official family of the banks had been composed of career men instead of "social registerites," as was frequently the case, would not the errors have been less frequent in banking?

We are in an age when government and business will be more closely identified. The tendency, whether we like it or not, is in that direction. Let's not make the mistake that has been made in industry. Let us choose government officials, particularly the key men, who should not be partisan office-holders, with a care and discrimination that will insure good government. Let us give a primary education in government to all of our citizenry.

Begin in the common schools and teach the fundamentals of government. Carry it through in your high schools and teach the theory and practice of government administration. For your text books in the high schools use the reports of the Departments of State, of Treasury, of Commerce, of Labor, of Interior, of Agriculture, and the Post Office. Too involved, perhaps, would be the War, Navy, and Justice Departments.

Let us look into the future and try to develop a government personnel that will plan ahead, one that can build a program which in its major parts, at least, will not be interrupted.

We have a West Point for our army. We are keenly aware of the need of national defense and that is why we established it. We have an Annapolis for our Navy. The seas must be kept open, and we know that we need trained personnel to man our ships.

But war is not alone experienced on the fields of battle. The casualties of economic war are even more tragic. Why not have the government establish a Civil Service University in Washington for which young men, two from each State, will be drafted because of their high scholarship? Appointments could be made after competitive examinations. Training would include a major university course dealing solely with government and the broad economic needs of this nation, as well as international economics.

The services of a trained, economic army of this kind might well answer some of your problems of government and would certainly eliminate partisan politics from key positions. The graduates would pledge service to the government for a definite number of years in return for their education by the government.

Government, in the last analysis, is men. Let's begin building efficient, capable sergeants for our economic-governmental army!

Henry H. Haining

**Executive Manager
National Association of Credit Men**



Lending our

by W. LATIMER GRAY, Vice President, First National Bank, Boston, Massachusetts

During the past four years we have been living through one of the most severe depressions in modern history—a depression that has been dramatic in its consequences, partly because of the dizzy heights we scaled during the decade prior to 1929, and partly due to the intricate and interdependent economic structure that modern civilization has developed.

The banks have stood in the very center of the rapidly moving train of events and have been so closely identified with disaster after disaster that the general public has received the impression that the cause of our troubles today can be rightly laid at the door of incompetent and dishonest bankers. The truth of the matter is that a bank is very largely a mirror of the life of the nation and what is happening to banks is in no way different than that which is happening to the rest of the people. Our life is interwoven with the life of the nation.

While bankers as a whole are ready to assume a fair share of responsibility it is only right to ask the people of the nation also to assume a share of responsibility for present conditions. During the last century we have developed a continent, and this task has been accomplished through great natural resources, but also through the development of free and easy credit. Democracy has been fundamentally opposed to the centralization of banking power and this prejudice has resulted in a system quite distinct from that developed on the Continent, in England and in Canada.

As early as the campaign of Andrew

Jackson and the subsequent withdrawal of the charter granted to the Second Bank of the United States it became apparent that the people of the nation very definitely feared and resented the centralization of money power, and as a consequence branch banking has likewise been actively opposed and to a very large extent made legally impossible. The politician who is now the loudest in condemning banks, has seen to it that bank charters should be granted freely and with little or no effort to determine the ability or the integrity of the organizers of the banks. It has inevitably resulted that during periods of business progress we have opened too many banks and have had not only too bountiful credit but often irresponsible extension of credit.

The speed with which our great resources have been developed has been almost miraculous and while this is a tribute to the initiative and vitality of the American people, we must also attribute a definite share to our free and easy banking system. We have merely to cross our own borders into Canada to visualize the brake to expansion which may be applied by a distant and centralized bank management, but we must also remember that our lavish credit-granting acts as a boomerang during the cycle of depression and that a flurry of bank failures inevitably accompanies every economic crisis in the United States. Not only do the mismanaged or unfortunately situated banks collapse, but the growth of fear and suspicion on the part of all depositors forces even the strongest banks to maintain a liquidity which is unnatural and undesirable.

I am not arguing for branch banking; in fact the Continental or Canadian system may well be inadvisable in as large an economic unit as ours. But I do assert that both decentralized and unrestrained credit must bring a periodic train of failure and disaster, and that if we are to avoid this suffering during each major crisis, we must at least educate the public to understand the functions of banking, and through public opinion force the government to be con-

tent to limit the granting of charters to economic needs, and then only to honest and competent management.

I am very sure that during every period of prosperity most of the people, and I might say many of the bankers, lose sight of the fundamental duty and responsibility of the banking institution. A bank accepts money from its depositors and its first and foremost duty is that of acting as trustee for that money. It is not many centuries ago that the goldsmiths of Amsterdam and of Lombard Street, London, made a custody charge when accepting deposits of gold bullion and gold plate. Their profits came from charging the depositor for the safekeeping of his currency and not from the interest accruing from loans made of the depositors' money.

With a stable political and economic background we have found that the hoarding of these deposits is unnecessary and that a certain proportion can be loaned to the community for legitimate and constructive commercial purposes. Today every commercial bank accepts money from depositors and lends part of it to borrowers who pay for the privilege of using it. To be solvent, the bank must closely inspect every dollar loaned and make sure so far as it can that every borrower can and will pay back the money loaned so that it will be available for depositors should they ask for it. Old Cotton Mather stated in 1715 that "the honest debtor comes into debt with the pace of a tortoise and gets out of it with the flight of an eagle."

During the joyous days of prosperity these maxims and responsibilities are easily forgotten and not only does the community enjoy free and bountiful credit, but citizens' savings and capital are frequently thrown away by reckless and unintelligent administration. We must first remember that a bank is under the strongest obligation to keep every dollar that it loans above its capital and surplus under constant control. The second responsibility of the banker is to his stockholder. Without profitable operation it is obviously impossible to provide the necessary capital and surplus and investment of banks, and without profitable operation it will be only a matter of time when the capital invest-

neighbors' cash

A Boston banker presents his views of the present situation faced by banks, based upon the theory that "easy credit" conditions do not warrant "unwise loans."

ment is exhausted and the depositors' claims are impaired.

A third and last responsibility of a bank is to its community. After providing safety for the depositors and after giving reasonable and legitimate return to the investing stockholders, the bank is anxious to develop and build up the community which is interwoven with its own prosperity. It is a mistaken idea for anyone to gain the opinion that banks do not wish to lend money. It is their principal source of income and all sound bankers are continuously on the watch for safe outlets for their funds. A borrower should not approach a bank with misgiving or under the impression that he is asking a favor, but the decision of the banker as to whether or not the request for credit is justified must be based on his mature and experienced conviction that each and every loan is safe and can be repaid with sufficient speed to enable the bank to meet any possible demands for money by the depositors. It is this decision of desirability that so often arouses the antagonism of the borrower and because of lack of information or because of misinformation, the public has gained the idea that a bank is reluctant to loan money legitimately and for some reason is delighted to withhold genuine and constructive loans.

The banks perhaps have failed to educate the public and part of this is due to the inherent nature of the banking business. From necessity the banker, like the doctor, is entrusted with personal and confidential information which requires the most careful and studied confidence. Consequently, he is educated to refrain from spreading information and to cultivate extreme reticence. This close-mouthed characteristic has often resulted in withholding information that required no reticence and to the popular imagination the banker has become a cold, unresponsive individual utterly lacking in sympathy or understanding.

During each and every crisis the total deposits in the affected community have shown a substantial shrinkage. This is

to be expected and comes from contraction of credit and to a much less extent from actual losses incurred by the community. During the depression of the early 1830's and of the later 1850's, between 30% and 40% of the banks of the United States failed. We have already touched on one of the fundamental reasons, that is, the tremendous number of banks which have been allowed to open by the free issue of bank charters by the government and states. The present crisis has been no exception to the rule.

At the peak of our inflation there were 30,000 chartered banks in the United States with total deposits of over \$59,000,000,000. Recent figures show that 15,000 banks have survived the crisis, and that total deposits have shrunk to \$37,000,000,000. In other depressions we have found that deposits have shrunk about 15% or 20% but have never approached the total of 40% experienced during the past four years. In the beginning, the shrinkage of deposits resulted in the liquidation of certain bonds and securities and as the liquidation increased it resulted in a reaction in the bond market and seriously diminished the value of the remaining investments of the bank. This, with poor commercial loans and perhaps most of all with unliquid loans, spelt the death-knell to a large number of the weaker banking houses. As this vicious cycle increased, many of the independent and stronger banks were forced to press the liquidation of good commercial loans in order "to preserve cash to meet possible demands of depositors aroused by the waning confidence in banks." Consequently, certain individuals and perhaps certain communities of the United States have suffered from the inability to obtain otherwise justifiable loans, but I believe such conditions were the unusual rather than the usual.

A bank official listens daily to loan proposals, some of which are accepted and some of which are turned down.

The public should not expect banks to take chances with depositors' money by making loans which are contrary to the principles of sound banking. At the moment there is a certain amount of conflicting pressure being brought upon the banks. Congress, the R. F. C. and the N. R. A. point to the strong cash positions of the large banks and are pressing for a more liberal loaning policy. On the other hand the Comptroller of the Currency and the Bank Examiners are insisting upon liquidity and are criticising slow moving and risky investments.

By and large American industry has been able to carry through this extended depression without experiencing serious credit difficulty. A survey made on the availability of bank credit by the National Industrial Conference Board, Inc. shows that on a total of 3,500 returns to their questionnaire survey, 86.4% of the manufacturing and industrial corporations reported that they had no credit problems. Between 13 and 14% of all replies reported bank credit refusals on restriction but 78% of this small number admitted that they were not accustomed to any borrowing relations with banks and were small or very limited establishments as measured both by employees and by capital.

It was further revealed in studying these cases that in the majority of cases borrowings were needed for either capital purposes or at least for semi-capital purposes. Studying still further into the 13 to 14% of restricted cases, we find that the majority were in industrial lines of activity which clearly suffered more than others during the depression such as metal and machine manufacturing, mill work and other rather unliquid types of financing.

There is certainly a great difference between easy credit and unwise credit. We have at the moment easy credit in that the majority of the banks now operating are in very liquid condition and have large surplus funds ready to invest. To loan these unwisely means a recurrence of the banking difficulties prevalent last March. I believe that proper public education with respect to fundamental banking principles would result in a better understanding of the responsibility which rests on the people themselves.

Secondly, I criticise the political background under which the American bankers have been compelled to operate and believe that 48 different sets of state banking laws with various standards of supervision, (Continued on p. 47)

Hard cash for

Second in the series on money by HENRY H. HEIMANN, Executive Manager, N.A.C.M.

OF A neighbor of mine in a Midwestern city had spent forty years of his life in a retail business. He was of fine character, a man of frugal habits and, naturally, a highly respected citizen. Through capable management of his small retail business he had been able to save approximately \$40,000. When he reached the age of sixty he sold his business. He felt he had earned a comfortable retirement. He invested most of his savings in farm mortgages. The mortgages yielded six per cent. This gave him an income of \$2400. a year, or \$200. a month, which was sufficient for the needs of himself and his wife. He then settled down to enjoy their remaining years of life in reasonable comfort.

Within a year after he had retired from business the war came upon us. Prices of everything, including the necessities of life, skyrocketed. One eve-

ning, as was his custom, he came over to my home for a neighborly chat. I observed there was a worried look about him. He unfolded his story.

He said that, although his income was sufficient to enable him and his wife to enjoy life in a normal period of time, due to the sharp rise of prices he found it impossible to continue his normal scale of living on the income he received from his investments. All of his life he had looked forward to spending the last ten years of his normal expectancy in reasonable comfort, and it was in sadness he related that he was forced to find some partial employment to supplement his income if he and his wife were to enjoy life in their accustomed manner. I distinctly recall he told me how his grocery bills had increased, how his taxes were higher, and how every time he had to repair his home the labor cost required an extraordinary

amount of money to meet the bill.

"Money," he added, in his philosophical way, "doesn't go very far now."

Of course my neighbor was right. Due to the war, the purchasing power of the dollar had sharply declined. His mortgages were for a ten-year period. The interest rate was fixed, namely 6%. His income was fixed at \$200. a month.

Now here was a man who had been thrifty, who had led a clean, honest life, and who was a credit to the community. But in his declining years he had to bear a certain suffering through no fault of his own. It is needless for me to add that no one came to his rescue. I saw no line of mortgagors tramping to his door and volunteering to pay him 8, 9 or 10% interest, or to deliver to him a dollar, the purchasing power of which was the same as the dollar he had loaned. Of course, his mortgagors were getting better prices for their products. It is a fact that when he made these farm loans of \$40,000. it would have taken 40,000 bushels of wheat to buy 40,000 dollars. During the war, however, he could have purchased 40,000 dollars with 15,000 bushels of wheat. My friend suffered. His suffering was the inevitable result of economic influences at work throughout the world and he was one of the unfortunate victims.

Every time I hear any one speak of the dishonesty of the *inflated* dollar in recent years (in the sense that the dollar possesses tremendously more purchasing power during these depression times than it normally did prior to the depression), my mind just naturally reverts to my old neighbor. I wonder why no one clamored about the dishonesty of the *deflated* dollar in his day? He had all the worst of it during past years. Isn't it only fair that he should be allowed this present advantage to offset his loss during the war?

It is true that the fluctuating purchasing power of a dollar brings about inequities and hardships. It is also true that if it were possible to find a dollar the purchasing power of which would not vary greatly from year to year, such a discovery would properly be hailed as one of the great events in the history of mankind. Every one admits the desirability of a nearly constant dollar as far as purchasing power is concerned, but only the commodity dollar advocates

The viewpoint of sixty years ago: "Money is 'tight,' but let it recover naturally."



hard times!

claim such a dollar is attainable. They claim all we need is the courage to adopt it.

The commodity dollar advocates promise to eliminate all of the evils that follow a widely fluctuating dollar as to purchasing power, and guarantee to us a monetary Utopia which will be a veritable paradise on earth. They still adhere to a commodity—gold—as an expression of the purchasing power of their commodity dollar, but they have in mind varying the gold backing of the commodity dollar either up or down, more or less, by a statistical thermometer which would reflect the composite index over a wide range of economic factors.

Let us assume that this composite index was 100 at the time of the launching of the commodity dollar. Let us also, for the sake of illustration, assume that in the initial stages the commodity dollar would be redeemable for a piece of gold which would be worth one dollar in the general gold market. The commodity advocates intend that their commodity dollar shall be redeemable in gold, but they do not intend that it shall be redeemable in gold coin. It is their purpose to have the nation or government keep gold as a treasure or reserve against all issues of currency. The redemption would be made in gold bullion and not in coin.

Now, assuming that the commodity dollar originally was redeemable for one dollar of gold, let us assume that the index which fixes the gold backing of the commodity dollar, dropped one percent. Your commodity dollar in that event would still be a dollar at its face value, but you could only secure a piece of gold worth ninety-nine cents in international gold markets for each commodity dollar that you held. If the index number that formed the basis of the commodity dollar were to drop as much as four or five percent, then you would be able to get, in the case of 5%, let us say, only 95 cents in international gold value for every commodity dollar. In other words, it is the gold that is procurable in exchange under the commodity dollar that fluctuates, the plan being to bring about the adjustment in the gold rather than in the commodity prices.

First of all, in looking at this commodity dollar from a practical point of

view, one would be tremendously interested in knowing just what indices were going to be used. One would be particularly interested in knowing whether these indices were purely domestic or whether they were world-wide indices. One would also want to make inquiry as to how a foreign nation would appraise our commodity dollar. Unless foreign nations were willing to accept the commodity dollar or some managed currency, of what avail would the commodity dollar experiment be in this nation?

Let's suppose we did have an all-inclusive index. The very fluctuation would tend toward a speculation that would make European lotteries seem mild in comparison. It is not inconceivable that immediately preceding or subsequent to the variation in the gold for the commodity dollar, business would either be paralyzed or run riot. There would be a gambling crisis in your money at every date of re-valuation.

Think of foreign exchange! How would a country abroad really appraise

the value of our dollar. They might say, for instance, that on June 29th our commodity dollar had so much gold value in it. Then on July 2nd, assuming the change in the gold value would reflect a change in indices as of the 30th day of the month, the foreign nations would have to re-appraise. This would have to be done as frequently as the gold exchangeable for the commodity value, varied, or as frequently as the index was subject to change.

We have found that one of the weaknesses of our present system is the wide fluctuation in exchange due to demand and supply. The commodity dollar advocates would try to correct this by introducing another fluctuating element, namely the change in the price level. If the commodity dollar were actually put into operation the old saying, long since historic, "Never sell the government short," would have to be rewritten. In all probability the government and its currency would be sold short preceding every lowered valuation date. People would immediately appraise just what change was going to take place, because indices may be gathered by any one who may read. It would be a "heads I win, tails you lose" proposition for the government, with the result that confidence, which is the very basis of all monetary issues, would

"Stimulants or inflation bring final collapse." Cartoons by Th. Nast. Reproduced by permission.



not only be lacking but would be wholly destroyed.

Let's talk in practical terms about the commodity dollar. Let's assume that on December 1st of this year a commodity dollar would exchange, let us say, for 99 cents of the commodity gold. Now assume that on January 1st, because prices may have advanced a little, a commodity dollar would exchange for 100 cents in gold. On December 31st every one would hold on to his or her money because the gold value of it would be higher on January 2nd. On the other hand, every man who had gold would on December 31st take it to the government and get paper money in exchange for it. Then on January 2nd he would take the paper money back to the government and get gold for it, and he would get one percent more gold than he delivered to the government on December 31st. If the change were more than one percent the gain at the expense of the government would be proportionately more.

Assume your composite index declined. Under these circumstances, again using the same dates, let us say that a gold dollar, or rather a commodity dollar, would buy 98 cents worth of gold on December 31st. Let us say that on January 2nd it would, by reason of the price indices, drop two cents in its purchasing power of gold. It would mean then that it would buy 96 cents worth of gold on January 2nd. Would people keep paper money on December 31st. Of course not. They would pool it together and go and get gold bullion. Then on January 2nd they would bring the gold bullion back and get paper money. In these transactions they would make two percent. Not a bad profit for just a two days' change. The government, of course, would be on the losing end at all times. There is nothing mysterious or magical about figuring out indices and certainly the index to be used would become a matter of public information, and the army of speculators that would arise under the plan would put to shame at least the gambling craze that existed during the wild orgies of 1928 and 1929.

While the speculative aspects in the month-end transactions have been guarded against by some of those who advocate the commodity dollar, there is no way of insuring against this speculation with respect to changes that may be effective over a long-range period.

The most that can be said for the commodity dollar is that it presents the

germ of an idealistic theory, which at the present time and no doubt for centuries to come, will still remain as impractical as many of the other monetary schemes that seem to bloom in every depression.

Managed currencies simply do not square with human experiences and with nature's economic factors. It would be well to consider that in the last analysis the purchasing power of money must vary and that if it didn't perhaps the incentive and the urge and the very fabric of business itself would lose its appeal. The soundest of money advocates decry the fact that at times the pendulum swings too wide, but the short measured strokes occurring by natural reasons can no more be denied than the rising and

More on money

will appear in our next issue wherein Mr. Heimann will present the third in his series of articles on the monetary questions of the day. With Congress in session, recovery in sight, and finance on every sound wave, these articles belong on your "Must" list of things to be read.

setting sun. Just as nature has made the hills and valleys, for you could not have one without the other, so it is with human experiences and economic factors. This does not mean that no effort should be made to try and adjust or reasonably control the wide or extraordinary swings.

But the commodity dollar advocates may claim that they merely want a managed currency for domestic purposes. This, they may contend, is a money that will square with a nationalistic policy. It is of course possible to place trade emphasis on our own integration, but it is a fallacy to think we can ignore the world or its products. The true isolationist was the American Indian. Look what became of him.

But that is another issue. Let's state it differently. Even if it were possible for any nation to have a nationalistic policy to the extent that it could become an economic unit, self-contained, and that it would not need to rely upon intercourse with foreign nations, the commodity dollar for domestic purposes would not prove practical. Cruel as it may sound, it is a truth, that all attempts to correct economic maladjustment,

brought on by natural causes such as the law of supply and demand, through adjusting the medium of exchange, are founded on faulty premises. Your medium of exchange is merely the agency through which corrective processes are allowed to work. It is true, you can so alter the standards of your medium of exchange that you alter or amend all existing contracts or relationships, but when this alteration goes to extremes it amounts to confiscation. People should not lose sight of the fact that for each and every instance relief is brought to a sufferer, the burden of giving that relief is placed upon the back of another citizen. The monetary expedient merely shifts the burden or suffering, and does not eliminate it.

It is true that a dollar is not always a dollar, in the sense of constant purchasing power, but it never has been. It never will be. You have your seasons of abundance of crops or your seasons of scarcity and you have your changing values in the dollar.

It is also true that money is not wealth. The money that you have can not be used by you to satisfy human needs or desires, unless it is a common, accepted medium of exchange, and if it is that, which means there is faith behind it as well as sound value, then it is merely the power to enable you to obtain wealth. Some people have the peculiar notion that if everyone were possessed of a lot of paper money we would all be wealthy. We would only be wealthy if the newly issued paper money had the same purchasing power that money had before it was newly issued. This, history proves, will not occur. To the extent it possesses purchasing power it is of value. History shows purchasing power is totally eliminated in time if the printing presses run riot. But fiat money is a subject of such importance that we will reserve it for a later chapter.

The monetary problem arrests our attention at this particular time, because people generally are in debt, a great many hopelessly in debt. Many people, moved to a sympathetic understanding of the worry of debt, want to relieve those who are so unfortunate as to be in that situation from their suffering. At least it may be said that there is a charitable disposition to lighten their load if such a thing is possible. But every debtor-creditor relationship doesn't deserve the same consideration. Why resort to a general application by money tinkering when the problem is individual?

Now there are several ways of relieving a man who is (Cont. on page 37)

Credit in the codes

Credit is being given increased attention as the work of N.R.A. and the development of industrial codes progresses. At the inception of N.R.A., comparatively few codes had credit provisions and at the present writing they are now generally included.

It is significant to note that there is now general recognition of the fact that in order to have orderly and sound business practices, standardization of terms and discounts is an essential starting point. This matter is therefore covered in a majority of the codes now coming through, either by definite specification as to terms and discounts or by requiring filing by industry members of price list, terms and discount sheets with the code authority.

While the majority of approved codes so far has not provided for interest on past due accounts or regulated anticipatory interest, it has been codified in a great number of industries, in which are some particularly strong and large fields of business.

Two items which have a bearing on credit are very generally now being considered as unfair practice. One is the sale of merchandise on consignment, and the other is the indiscriminate return of merchandise. The latter is usually restricted to a small time limit and for one or two reasons such as defect in merchandise or misfilling the order. A great number of unfair practices such as unearned discounts, rebates, etc. are prohibited. In a few industries, what is generally known as credit control has been incorporated in the code. Such provisions are interpreted to consider as unfair practice any credit sales where the customer has not paid any industry member in accordance with the code terms.

In connection with credit phases of codes, it is interesting to note that in a brief to NRA, representative retail interests adopt a policy of blanket opposition to certain provisions and call for the elimination of provisions which seek to:

1. Eliminate quantity and volume discounts.
2. Fix retail prices.
3. Eliminate advertising allowances.
4. Eliminate demonstrators and allowances for demonstrators.
5. Change the present shipping arrangements in the various industries.
6. Determine the various prices quoted to various classes of retailers by manu-

A compilation of credit provisions in NRA industrial codes.

facturers that are not based on either the size of the order or the cost to the manufacturer of selling his various accounts.

7. Unduly restrict the justifiable return of merchandise to manufacturers.

8. Prohibit the placing of merchandise of certain classes on consignment.

9. Fix terms of so-called "cash" discounts.

In the development of orderly credit procedure and in the matter of enforcement of code credit provisions, it is very logical to assume that the responsibility therefor will largely fall on the Industry Credit Groups such as the several hundred Groups that are now being serviced by the National Association of Credit Men and its affiliates.

The summary of codes approved until the end of November follows:

A.

Advertising Specialty Mfg.: Code authority to make recommendations for setting up of service bureaus for engineering, accounting, credit or other purposes.

All Metal Insect Screen: Usual unfair practices. Price lists and discount sheets properly filed with code authority.

Anti-Friction Bearing: Usual unfair practices prohibited.

Apparel (Coat and Suit Division): Code authority empowered to consider and act upon recommendation (1) for setting up service bureau for engineering, accounting, credit, or any other purposes that may aid in meeting emergency conditions or code requirement, and (2) to make available to suppliers of credit to those engaged in the industry, all necessary information pertaining thereto.

Artificial Flower and Feather: Standard maximum terms and discounts in code. No consignment sales. No assignment of accounts receivable. No concessions, gratuities, advertising allowances, etc.

Asbestos: Code authority authorized to formulate code of ethics amplifying trade practices in present code. Completely itemized unfair trade practices that tend to circumvent uniform basis of selling. Each member of industry to establish own price terms and conditions of sale, providing not inconsistent with code. Shall file same with designated division office of the code authority.

Asphalt Shingle and Roofing: Confidential information of any nature may be requested by code authority and shall be collected through an agency selected by said code authority. Code authority shall designate agent to investigate violations of the code. Code authority shall make study of and recommendations for a system of exchange of credit information. Members of indus-

try shall publish and file with code authority complete schedule prices, terms and conditions of sale. Usual unfair practices prohibited.

Athletic Goods Mfg.: No secret rebates, refunds, credits, unearned discounts, etc. Trade associations making up this industry and representing 75% by volume of this particular division may adopt rules of credit or marketing practices for said division. Supplements to general code submitted by Athletic Goods Manufacturing Industry, Golf Balls Manufacturers Association, National Association of Golf Club Manufacturers, Athletic Shoe Manufacturers Association, Tennis Racket Manufacturers Association, give definitely and comprehensively exact terms of sale, cash discounts, requirements on advance and supplemental orders, anticipatory and past due interest. Consignment uniformly considered unfair practice.

Automotive Parts and Equipment Mfg.: False dating of invoices, secret rebates, refunds, unearned discounts, etc., are unfair practice. Cash or trade discounts, freight express, or other allowable deductions to be made from invoice price in determining net sales price. Any necessary information to be given by membership to the code authority.

Automatic Sprinkler: Standard forms of contracts. License agreements, etc. No secret rebates or allowances.

B.

Banking: Maximum interest rates on deposit and service charges.

Bituminous Coal: Consignment shipments qualified. No secret allowances, rebates or concessions. No predating or post-dating of invoices. Strict observance of terms of sale. Code authorities given access to books and records of producers within its jurisdiction.

Boiler Manufacturing: No sale of combination of products at less than established selling price. No compromise settlement of old accounts as consideration for accepting a proposal. No defamation of competitor. No commercial bribery. Code authority to recommend forms of standard contracts.

Boot and Shoe Mfg.: Definite standard maximum trade terms for domestic business. Method of cooperatively exchanging information, the unfair practices of unjustifiable returns, excessive claims, unfair cancellation to be recommended by trade association to Administrator.

Buff and Polishing Wheel: No rebates, excessive allowances, adjustments, etc. Maximum terms and discounts stated in the code, both for current sales and contract orders.

Buffing and Polishing Composition: Same as above.

Builders Supplies: No secret rebates, deviation from uniform contracts, maximum terms of sale, defamation of competitor, commercial bribery, selling at less than cost.

Business Furniture, Storage Equipment and Filing Supply: Usual unfair practices prohibited. All divisional supplemental codes cover requirement to publish prices, terms and discounts, to report to code committee all discount terms, etc. of buying agreements in force at the effective date of code.

C.

Canning and Packing Machinery: Each member to file with code authority list price, terms and discounts with subsequent changes. Gratuities, rebates, unearned discounts, etc., unfair practice. Regulation of trade-in allowance.

Cast Iron Soil Pipe: No secret rebates, credits, refunds, unearned discounts. No services or privileges to preferred customers, no consignment sale. Members to maintain on file with code authority list prices and basic discounts and subsequent changes.

Cement Industry: Code Authority to make such recommendations as will be necessary to develop and maintain fair competition. Industry members to file prices and terms with Code Authority, together with subsequent changes. No purchase of bonds or securities issued for financing of constructive work without permission of Code Authority. Usual unfair practices, secret rebates, unearned discounts, advertising allowances, etc. prohibited. Method of marketing and selling cement definitely regulated. Maximum terms of payment and cash discount. Detailed regulation of same. Date of remittance is postmarked date at point of mailing. Invoices to be dated as of date of shipment and contain full information. Exhibits "B" and "C" attached to Code give specific provision on sales orders and future specific sales contracts.

China Ware and Porcelain Manufacturing: Usual unfair practices, such as rebates, refunds, unearned discounts, etc. Maximum terms for Vitrified China Branch.

Cigar Container: Maximum terms and discounts. Usual unfair practices—unearned discounts, secret rebates, etc. prohibited.

Cleaning and Dyeing: Maximum cash discounts and standard discount periods. Unfair practices prohibited.

Compressed Air, Heat Exchange, Pump Manufacturing: Where general practice to sell specified product on basis of printed net price lists, terms and discounts, each manufacturer shall file such list with supervisory agency, together with revisions from time to time.

Copper and Brass Mill Products: No commercial bribery. Defaults on contracts to be regularly reported to executive committee. All members to adopt and maintain uniform credit terms to be established by executive committee. Said terms to include terms and conditions of contracts, defaults, etc. Policy under the code to bring about uniformity in regard to consignments, freight allowances, treatment of distributors.

Concrete Masonry: Usual unfair practices, such as secret rebates, unearned allowances, discounts. Each member to publish and distribute to trade all price lists and file schedule with Code Authority. Uniform credit practices within code region group or sub-region to be binding upon members in said region.

Corset and Brassiere: Standard regulations for return merchandise. Standard maximum terms and discounts. No sales on consignment. No special concessions or rebates. No false statements as to business or financial standing of any competitor.

Cotton Textile: Planning and Fair Practice Agency may recommend to Administrator (1) setting up of service bureau for engineering, accounting, credit and other purposes to aid the smaller mills in meeting emergency conditions and code requirements. (2) To make available to suppliers of credit to those engaged in the industry, necessary information.

Crown Mfg.: Each member to file price

terms and discount schedule with subsequent changes. No secret payments or allowances.

Crushed Stone, Sand and Gravel, and Slag: To establish or designate an agency on planning and fair practice to cooperate with code authority. Usual unfair practice such as secret rebates, unearned discounts, etc. Uniform terms of sale in each region, district or division. Uniform credit practices to be established in each region, district or division, binding upon all producers selling in such regions, districts or divisions.

D.

Dress Mfg.: Regulation of returned merchandise, standard terms and discounts and anticipatory interest. Code authority to formulate regulations on practice of selling on consignment or memorandum. No allowances, rebates, refunds, unearned discounts, etc.

E.

Electrical Manufacturing: Net price lists and discounts and subsequent changes to be

Next month

we will publish the credit provisions of approved NRA codes for industry not included in this summary. A careful reading of these provisions is important

filed by each manufacturer with supervisory agency of code. Supervisory agency to effect standardization of terms and discounts where feasible.

Electric Storage and Wet Primary Battery: Standard terms of payment, guarantees and adjustment policies.

F.

Fabricated Metal Products Mfg. and Metal Finishing and Metal Coating: Provision for the usual unfair practices, such as secret rebates, unearned discounts, commercial bribery, etc.

Farm Equipment: To report to trade association monthly sales and collections for previous month, for current year, and comparison with previous year. All members to file with association complete list of price terms and discounts. No concessions shall exceed published prices, discounts, etc.

Fertilizer: To file with secretary of the trade association open price schedules and zone of operation with subsequent changes. No rebates, refunds, unearned discounts, etc., except as required by law. Regulation of sales or sight draft. No advertising allowances.

Fire Extinguishing Appliance Mfg.: Usual unfair practices forbidden. Each member to file with code authority price list and discount sheet, with subsequent changes.

Fishing Tackle: Standard maximum terms and discounts and maximum interest allowance for anticipated payment.

Floor and Wall Clay Tile Mfg.: Statistical information required by code authority to be furnished by an impartial agency. Usual unfair practices, secret rebates, unearned discounts, etc. Members of industry to publish and file their price lists, terms and discounts with code authority.

Funeral Supply: Detailed sales provisions. Maximum terms and discounts. Require-

ments for filing price lists, discount sheets, with code authority. Usual unfair practices, i. e. discrimination, secret discounts, violation of terms of sale, etc. prohibited.

Funeral Vehicle and Ambulance (subdivision of Automobile Mfg.): Usual unfair practices. Price terms and discount schedules filed with code authority.

Furnace Manufacturing, Warm Air: Usual unfair practices prohibited. No consignment except where allowed in duly published price lists. Price lists, discount terms, to be filed with Code Authority, together with subsequent changes.

G.

Gas Cook: Article IX—Credit Policy—of this industry, whose code has been sponsored by the Association of Gas Cook Manufacturers, Detroit, Mich., is worthy of verbatim comment:

"Section 1. Credit privileges shall be restricted to those purchasers whose moral and financial integrity may be reasonably well established. The purpose of this rule is to make it incumbent upon each producer to exercise due diligence and sound judgment in an earnest effort to avoid action relating to the granting of credit privileges which might introduce instability into the market.

"Section 2. Each producer shall, at the request of the governing committee, furnish the Association the names of all customers whose accounts are past due under the terms set forth in this code; the purpose of this rule being to prevent a purchaser from overextending his credit with two or more producers. The operations of this Article shall at all times be subject to the approval of the Administrator." This industry also makes complete requirements relative to terms of payment, discounts, terms of shipment, etc.

Gasoline Pump Manufacturing: Maximum standard terms and discounts. Standard terms for instalment sales. No secret rebate refunds, credits, etc. No privileges to preferred customers, no refunding by salesman of his commission to any customer. Each manufacturer to file with executive committee of the industry price list and discount sheet and subsequent changes. Executive committee to have access to all books and records of industry members.

Gear Manufacturing: Price list and discount sheet filed with the code authority. Standardization of terms and discounts in branches or subdivisions to be established by code authority.

Glass Container: Rebates, refunds, credits, etc., are unfair practice. Code authority may designate such agency as it shall deem necessary to effectuate provisions and purposes of code. No defamation of competitor, commercial bribery, etc.

H.

Hair and Jute Felt: Members to file price and terms with secretary of trade association. No secret rebates.

Handkerchief: No commercial bribery, secret rebates, accepting return of merchandise for exchange, false information concerning competitor. Standard terms of sale provided.

Hardwood Distillation: Usual unfair practices such as rebates, refunds, unearned discounts. Code authority to make recommendations for improvement of operations.

Hosiery: The Hosiery Association shall develop uniform conditions of sales for the use of industry. No bonuses, rebates, discounts, etc. No shipment on consignment. No commercial bribery.

Hotel: Any report required by code authority to be submitted by an impartial agency designated by code authority and not a member of the industry.

I.

Ice Industry: No selling below prices prescribed in published schedules. No discrimination in price to customers in same class. No rebating, commercial bribery, etc.

Industrial Supplies and Distributors: Violation for members to sell below their individually filed schedules. No secret rebates, refunds, false invoicing.

Iron and Steel: Secretaries shall collect statistical information required by the Board of Directors for proper administration. Board of Directors by majority vote may establish maximum rates and discounts and periods of free credit, other than those specified in the code.

K.

Knitting, Braiding and Wire Covering Machine: No selling below reasonable cost, commercial bribery, discrimination between customers of same class, etc.

L.

Lace Manufacturing: The Planning and Fair Practice Agency may recommend to the Administrator (1) setting up of service bureau for engineering, accounting, credit and other purposes to aid the smaller mills, etc. (2) Making available to the supplier of credit to those engaged in the industry, necessary information.

Ladder Manufacturing: Price lists and discounts sheets filed with code authority. No contracts for sale without actual obligation on the part of purchaser. Usual unfair practices.

Laundry and Dry Cleaning Machinery Manufacturing: No variation from published prices and discounts. No excessive trade-in allowances, variation from terms provided for deferred payment plan sales, secret rebates, commercial bribery, defamation of competitor, etc.

Leather: Standard maximum terms of sale and discount.

Leather and Woolen Knit Glove: No consignment, no returned goods unless for imperfection, or later than five days after receipt by consignee. No rebate, refund, unearned discounts, etc.

Legitimate Theatre: Cooperation to be pledged to establish uniform standard form of contract with booking agencies.

Line: No selling below cost as defined, commercial bribery, rebating, defamation of competitor, splitting commissions, etc.

Limestone: Code authority to submit from time to time recommendations to improve operations under the code. Usual unfair practices such as discrimination between purchasers, etc.

Luggage and Fancy Leather Goods: No secret rebates, refunds, defamation of competitor, commercial bribery, consignment sales, variation from standard discounts.

Retail Lumber, Lumber Products, Building Materials and Building Specialties: Strict adherence to rules governing terms of sale and collection of accounts. No commercial bribery, defamation of competitor, selling below cost, etc.

Lumber and Timber Products: Code authority may establish divisions and subdivisions and designate appropriate agencies for administration of code. Standard terms and discounts specified to retailer, to wholesaler, and to industrial buyer. No prepayment of freight. No consignment sales.

M.

Machine Tool and Forging Machinery: Each member to establish and announce all prices and discounts. Shall file same with code authority, together with any subsequent changes. Usual unfair practices of misrepresentation, commercial bribery, etc.

Machine Tool and Equipment Distributing (Trade): Usual unfair practices prohibited.

Malleable Iron: Sales f.o.b. factory, mill. Maximum term period. Cash discount

period and discount amount. Usual unfair practices prohibited.

Marking Devices: Member to file price terms and discount list with subsequent changes. Unfair practice to sell below price and discounts. No special prices, discounts, gratuities, rebates, etc.

Men's Clothing: No consignment sales. Code authority to have power to examine all books of account in the industry. Code authority may recommend (1) setting up of service bureau for engineering, accounting, credit; (2) making of rules by the Administrator as to practices of those engaged in the industry to promote stabilization, prevent unfair practices or destructive prices.

Men's Garter, Suspender, and Belt Mfg.: To obtain through confidential agency from members of the industry periodical reports with respect to matters pertinent to matters of the code, as the code authority may require from time to time. Confidential agency shall not be in any way engaged in



the industry. To use such trade associations and other agencies as it deems proper for carrying out any of its activities provided for in the code.

Mopstick Industry: Schedules of discounts and terms of payment filed with code authority. No price discrimination between purchasers of same classification. Usual unfair practices of unearned discounts, rebates, etc.

Motion Picture Industry: General regulations of distributing and sales methods. No specific reference to credit.

Motion Picture Laboratory: No secret rebates, credits, refunds, unearned discounts, etc. No departure from original agreements with respect to terms or discounts.

Motor Fire Apparatus Mfg.: Full specifications as to proper invoicing of goods; no new apparatus sold under the guise of demonstrator. Regulation on deferred payment sales and quantity discounts. Price determined individually by membership. Cash discounts defined and specified. Uniform order and contract forms. Members to file with code authorities their prices and discounts.

N.

Newsprint Industry: Code authority to confer with members of the industry. Expect stabilization and elimination of unfair practice and formulate recommendations. Standard net cash terms and discounts. 6% interest on past due accounts. Returned goods provision.

Nottingham Lace Curtain: Standard terms of sale and discounts. Regulation as to delivery, anticipatory interest, terms of sale on samples and seconds. No consignments, advertising allowances, etc.

Novelty Curtain Draperies, Bedspreads and

Novelty Pillow: No commercial bribery, secret rebates, etc., false dating of invoices, standard terms of sale and discounts. No consignment or sales on memorandum.

O.

Office Equipment Manufacturing: No credit reference in general code because of the diversity of products in this industry. Supplemental matters may deal with unfair method of competition in price and other competitive practices.

Oil Burner Industry: Price list and discount sheet and subsequent revisions to be filed with code authority. Secret rebates, discounts, etc., to constitute unfair practice. Standard maximum terms on instalment sales.

P.

Packing Machinery: Unfair practices prohibited.

Paint, Varnish and Lacquer Mfg.: Standard terms and discounts. Regulation as to datings, new account orders, anticipated discounts. No consignment. Regulation of free deals.

Paper and Pulp: Executive authority to prescribe terms and conditions of sale for domestic consumption; after members have filed complete schedules, authority to establish and codify rules for fair trade practice.

Petroleum: Maximum credit terms and discounts. Granting of longer terms of credit, larger rate of discounts shall constitute unfair method of competition.

Petroleum Equipment, American: Shall file with code authority list of discontinued lines, obsolete and surplus stocks and list prices therefor. No consignment. No post- or pre-dating of invoices. No commercial bribery, etc.

Piano Manufacturing: No reference to credit matters. Code authority to formulate and prepare amendments for code covering unfair trade practices, etc.

Plumbago Crucible: Each member to exercise individual judgment in credits, but "it is the sense of the industry that a liberal and fair credit information exchange shall be the policy, in order to prevent customer from over-extending his interest with the industry." No secret rebates, commercial bribery. Members to file terms and discount schedule, violation of which is unfair practice. Maximum terms of sale specified. No consignment sales.

Printer's Rollers: Definite terms of sale and cash discounts. Bills not paid within three months considered past due and no further credit extended by any manufacturer until payment of past due account has been made, unless the manufacturer writes code authority that further credit is being extended, and gives reasons therefor.

Pump Mfg.: Supervisory agency to arrive at standard prices, terms and discounts on products previously sold on a generally uniform basis.


R.

Radio Broadcasting: Code Authority to use such trade associations or other agencies as is necessary to carry out provisions of code. All members to file with Code Authority rate cards showing rates, discounts, rebates.

Reinforcing Materials, Fabricating: Interest to be charged and collected after expiration of term period at not less than the current rate established. Members may allow credit to purchaser or delay in payment for longer period than terms specified in code, but in this event, interest must be charged and collected. Maximum rates of discount and discount period definitely defined. Definite net term periods called "periods of free credit." Uniform sales contracts, conditions (Cont. on page 40)

Semaphores show

By R. GUY ECHOLS, Credit Manager,
American Crayon Company, Sandusky, Ohio.

 Governments, banking institutions, private enterprises and particularly business "associations" must and are analyzing their strength and its lasting quality, plus its adaptability to changes. Business and trade associations are being put on the so-called "spot." They must not only prove strong and sound, but must also maintain their strength and progress soundly by meeting new business requirements.

The National Association of Credit Men, occupies a "spot" that is unique and outstanding in its field of activity. With relation to ideals, organization, strength and progress, every trade, leaving its code development with respect to production, wage scales, trade practice and distribution to its own trade association, can unquestionably most soundly, safely and securely turn to the National Association of Credit Men for standards of credit and collection practice, guidance and service.

In turning to the National Association of Credit Men for credit guidance and service, you are as secure as the strength of the association and the qualification and interest of its membership. The present strength of the association consists mainly of a national cooperative effort of over 20,000 commercial and financial enterprises built on a reputation for accomplishments. It does not overlook that a reputation is a continuing responsibility. Yet, the Association must meet current needs of business, not just keep "abreast of," but ahead of, business demands, and make progress soundly.

To look into the future of our association, perhaps a member can more gracefully question and analyze it than an official of the national or a local association staff. Consider first, just what a Credit Manager is up against at the present, and is likely to be confronted with—then fit the association into the picture soundly and strongly.

Currently, the Credit Manager feels that most businesses are out of balance and upset—are floundering around. He is trying to feel his way and make sure he will not miss a good bet. We are accustomed to thinking of a risk from angles of independent control and profitable operations. Neither of these now

generally exist, we understand.

We all know that hundreds of accounts that we have been selling at a real risk because they were making no money, are now being told to decrease hours, add employees and raise wages, resulting in a "hazard" where there was once only a "risk."

We recognize this new business-government partnership is here to stay, and although it may be modified, we must not lose sight of the fact that government is not seeking control of, but partnership with, business, and while it may be an experiment, so-termed, it is unquestionably an honest, intelligent and courageous experiment.

The new business deal will be dealt by business men, as they have the knowledge to apply business principles and how they may be co-ordinated with government requirements. The government has the power of enforcement and the public interest. This harmony of balance between knowledge and power, of business and government, is being struck in hundreds of industries and what was an ideal, is becoming a fact.

We know today that the condition of any account may prove a real surprise to us upon exacting analysis; that a past due account today is more dangerous than ever; that we should not take on business we feel will not show reasonable profit on re-sale. We would like to know whether a customer is suffering with current "bally-hoo hysteria," and running wild on buying; whether the customer has been able to adjust his capital structure and operating expenses to meet current and impending conditions; whether the customer has the poise and balance to apply solemn thought and sound judgment to his operations under these unusual conditions.

Certainly, when increased sales and utmost economy are most important, to offset higher prices and wages, and shorter hours, we can never afford to turn down orders except after most close scrutiny, nor can we afford to grant credit with abandon.

Today, Conditions and Conduct are as much major factors in credit granting as Character, Capacity and Capital, which have held the spotlight over the

past quarter of a century. The harmonizing of these five "C's"—Character, Capacity, Capital, Conditions and Conduct, and making information on them available to a Credit Department can best be done by and between the association and its membership. Leaving any one of these four factors out of the picture today will make guess-work instead of sound judgment in credit granting.

What can members do?—Members are, after all, like dollars. Idle dollars stagnate industry—idle members will stagnate and decay an association. A working dollar produces profits and profits produce strength. A working member develops cooperation and progress and these very things develop protection and profits.

Members of the National Association of Credit Men are realizing more and more that they can gain little by being idle members. Collection business is being placed with the association in preference to outside channels because members realize this is a member-owned and controlled organization and operated at cost. Members now check with their local association with respect to assignments and compromise offers before making a decision.

Members are getting away from placing liquidations in the hands of unknown and untried mediums or attorney-operated "associations," and instead are placing liquidations in the hands of tested, efficient adjustment bureaus operated on a non-profit basis in the interest of creditors only.

Members now realize that to protect their honest customers they should never fail to invest in fraud investigation and prosecution and they recognize that a credit manager who does not contribute to such an investigation and prosecution is really not entitled to additional dividends that may be produced by the money expended by others. Members are learning that they can "trust" each other. They do not compete with each other with respect to credit qualification requirements and terms as was once the situation. Now, we find chief competitors sit down and discuss bad accounts or hazards on their books on a customer-cooperation basis.

clear for N. A. C. M.

One of the most advantageous features of the Credit Interchange service of the association is that it does not report on one "single" industry, but it is a national inter-market and inter-industry clearance on the paying habits of a customer.

Don't try to compare it with credit interchange in a single trade. In all fairness, let me ask any Credit Manager who is a subscriber to one or perhaps a half dozen so-called "trade" interchange clearance systems: If your trade association credit interchange membership would come bodily into the National Association of Credit Men's Interchange, wouldn't you get all that you now have—and more—and at considerably less expense, with no duplications?

Another question to "sole" trade interchange users: Do you think you are getting an unbiased picture of your customers' paying records from a "trade" interchange report? If you think your trade clearance is enough, then, do you think your customer buys solely among your trade membership? Did it ever occur to you that to protect himself on principal sources of supply, your customer may pay your trade members—"PROMPT"—and in all other sources, may rate extremely "BAD". Under these conditions you will be getting "favorable" reports and continue liberal credit granting whereas—IF—you had intermarket clearance, you would be getting the REAL picture upon which to base sound judgment. Are you overlooking this preferential payment practice that may be exercised by your customer, without your knowledge? I feel that the activities of trade associations should be left to the development of industry trade practice and the promotion of the business volume of the industry and matters of credit and collections, reporting, rehabilitations, and liquidations should be left in the hands of the national network of credit associations and interchange bureaus, of which there are 74 in number, and with which no single trade association can at present hope to compete.

The more quickly national distributors come to realize that the one place for Interchange clearance is the National Association of Credit Men, the more quickly they will begin to benefit from economy of operations, the elimination



A Husbandman bade his sons lay a bundle of sticks before him. Then having tied them up into a fagot, he told the lads, one after another, to take it up and break it. They all tried, but tried in vain. Then, untying the fagot, he gave them the sticks to break one by one, which they did with the greatest ease. Then said the Father: "Thus, my sons, as long as you remain united, you are a match for all your enemies; but differ and separate, and you are undone."—ÆSOP.

of duplication of work and expense.

The Credit Interchange Bureau of the National Association of Credit Men is perhaps the most outstanding service department. A financial statement of December 31, 1932 has had little or no value to you during the last nine months of 1933, or since the banking demoralization. It doesn't tell you whether a business is meeting current conditions. The best evidence in this direction is an up-to-date paying record. The best protection on your collections,—and I emphasize collections,—is a credit interchange bureau report. You can adapt your collection procedure to the situation set forth on your Interchange report.

Observe an Interchange report and note silent changes taking place in the affairs of your debtor. Just recently, I had seven "picked" references give me favorable and fine replies to inquiries, but a national Credit Interchange bureau report showed me twice as many experiences with information just as adverse as the "picked" references showed favorable.

Minds of Credit Managers are alert to obtain new safeguards. Credit as-

pects are changing fast, and this means the mechanism of our association must be broadened and speeded up.

Many local associations have learned that there has been too much local autonomy and have corrected their position to fit into the national network of the National Association, on a more co-operative, co-ordinated basis. The greatest strength of any association and its security is not its local organization, but in its national affiliation.

Speaking constructively and nationally may I say that it is well for members, secretary-managers, boards of directors, credit groups and the national organization to all correlate their activities, for the purpose of co-ordinating and developing national uniformity of all service departments; to develop national standards for the government of local units; to more carefully choose executive boards.

When thinking in this channel, it is important to remember that we are a NATIONAL organization and not simply representing one trade, but representative of all nationally important trade activities in the country.

The National Association's future is only secure if the high value of its services are maintained. Accomplishments are notable in perfectly national uniformity in all service departments.

Perhaps the greatest weakness of the Association is in not advertising its strength. It has more grounds for boasting, than any business organization in the country. It could well give more publicity to its specific accomplishments in the reporting field and in the rehabilitation, liquidation, and collection divisions. Much public good will is being overlooked by not bringing out the great public services being rendered by the National Association.

In the development of Industry Codes under the NRA, local and national associations are in better position to advise industries on development of "standards of practice" to govern credit and collection procedure than any single industry or group of industries. All governing codes for credit and collection practice should include Credit Interchange Bureau service and Industrial pooling of claims, in the interests of efficiency and economy.

The National Association is in better position to police. (Continued on page 37)

Burglary and robbery insurance

by JAMES H. COBURN,
Vice President,
Travelers Indemnity Co.,
Hartford, Conn.

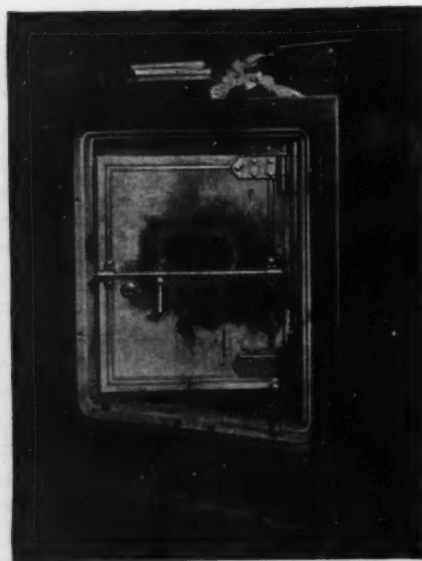
CF An opportunity to prepare an article on this particular subject for CREDIT AND FINANCIAL MANAGEMENT is much appreciated, especially since the financial stability of a concern is quite dependent on its ability to withstand sudden and unexpected shocks. It is a platitude that insurance is that shock absorber, but however commonplace that may be, it cannot be too frequently emphasized.

Burglary insurance has increased rapidly and though made up from small average premiums (about \$30.00) amounts to some \$30,000,000 annually. Larger risks pay as much as \$40,000 a year but as indicated by the average premium mentioned, the bulk lies in the small risk. Three years ago a new form of policy intended for the small storekeepers was put on the market. It met a real demand for already over \$1,000,000 of premiums have been written on this form alone. It sells for about \$30.00.

The usual forms of what might be called crime insurance available to businesses are safe, robbery and open stock. These may be written under separate policies for each hazard or under a variety of combinations. Under the safe and robbery forms cash is the principal item of property on which insurance is written and is therefore particularly attractive to criminals. Open stock generally protects goods and merchandise against burglary during the time the premises are closed.

The growth of these coverages in recent years has been rapid—more than doubling in the last ten years as to premium volume—with a much greater increase as to number of policyholders. This growth is of course consistent with the increase in crime both in severity and in frequency. The insurance companies' contribution to the criminals'

loot has been, during that period, no less than \$54,000,000 as regards mercantile and industrial establishments only. I might add that if residence losses be included the total reaches \$95,000,000. These figures are indicative of the tremendous additional amount of loss sustained by the uninsured and the under-insured.



There is no adequate way of calculating the uninsured losses which too often bring in their train financial embarrassment and even bankruptcy. A very recent instance strikingly indicates these dangers. A gold leaf manufacturer each night stored his raw stock, his finished product and certain valuable materials used in his manufacturing process in a large safe which to the owner seemed an ample safeguard against burglars as well as against fire. But this was not so. It afforded little resistance to attack and his loss amounted to over \$10,000. He now finds himself in this situation. He has no finished product to sell, the price of new gold has risen from \$20 to \$34 an ounce, and several months will be required before his manufacturing processes can be fully restored. In the

meantime his employees are out of work and he is losing his customers.

The evil of under-insurance is serious and constitutes an item which should be kept in mind. Our records are full of instances where too little thought has been given by the policyholder to his actual needs. In fact out of total losses sustained by policyholders 44.8% of that amount represents their losses because of under-insurance. It is poor policy to lock one half of the barn door only. Increased amounts of insurance are not costly.

Many if not most of the large concerns which would seem to be sufficiently strong financially to absorb burglary and robbery losses are never without this protection even to the smallest exposures. To a greater extent, therefore, does the small business man operating on a slender margin, absolutely require these forms of coverage. Too often the sudden and unexpected loss of a thousand dollars is the difference between solvency and insolvency.

There is another point involved in insurance undertakings of this nature that is but little appreciated. Owing to the extensive moral hazard factor which obtains in underwriting Burglary and Robbery insurance, most insurance companies make an investigation of each new risk and a careful check-up from time to time thereafter. Only good risks are accepted. The undesirable are declined. There is also in many instances the question of physical condition. Reasonable protection against burglary and robbery is not an unreasonable thing for the underwriter to demand. Hence the existence of a burglary or robbery policy in a reliable company is a pretty good indication that the assured has successfully passed a searching inquiry into his business standing and integrity—an item of no little value to the credit man.

To the credit man the carrying of burglary and robbery insurance in adequate amounts should indicate foresight and a lively appreciation of current conditions on the part of a business concern in the protection of its credit.

Individual and group responsibility

“You cannot compromise with sound principles without being the loser. Those who extend credit loosely and ignore fundamental principles will pass out of the picture. The credit executive guilty of such practice will doubtless be discovered and his services dispensed with as a liability.”

by WALTER EVENSON, The Crane Co., Chicago.
First Vice President, Chicago Assn. of Credit Men

Credit executives of the new day seem a little idealistic for my “bread and butter” frame of mind but it does suggest to me one essential quality that a credit executive should possess. Perhaps he has been able to get along without it in the past but in the future he must have this added quality—he must be able to determine not only whether an account is good for the business he represents, but also whether it is in the best interest of the industry as a whole to put a stamp of approval on the risk. His welfare and that of his company in the future will be more closely allied with that of the whole industry than ever before. The day is past when he can go it alone.

When you consider the plumbing and heating industry, with some 235 manufacturing establishments doing business with some 1300 or 1400 wholesalers, who in turn do business with some 30,000 to 35,000 retailers or contractors, it does not take very much arithmetic to figure out that this situation has in it the potentialities for staggering loss if loose business methods and unsound credit practice prevail.

Whenever there is any lowering of business standards we are all prone to blame the shortcomings on the so called “unscrupulous minorities.” In fact, that has become our pet peeve. It undermines sales executives to the extent of cutting prices; it has weakened credit executives to the extent that they disregard basic factors. Somehow or other

the herd instinct or some sort of mob psychology, call it what you will, takes hold of the business man, sales executive, or credit manager when word reaches his ear that some one is cutting corners. The instinctive reaction seems to be in the language of the street “I’ll show them they can’t double-cross me. I’ll beat them to it.”

So it goes on and on until the standards and practices of a whole industry descend to a plane where the credit facilities of the industry in turn become weak and inefficient. I do not believe it needs any further argument to convince you of this breakdown than to direct your attention to your own bad debt experience of the last four years. It is indeed a sad commentary on our ability as business men and credit executives and a challenge to us which if unheeded will only lead to further discomfort and a delay of the corrective processes.

Looking at these offending minorities a little more closely, since they are the source of our alibis we should know them better. Can they do us any harm if we fail to follow their practices? If we had a soundly developed industry viewpoint they could not. For instance, assume that they did cut prices, they would then lose the profit; suppose that they did lower credit standards, they would then sustain most of the bad debt loss. In either case you can not compromise with sound principles without being the loser. Those who extend credit loosely and ignore

fundamental principles will in time pass out of the picture and the credit executive guilty of such practice, if he has not had time to wreck the company he represents, will doubtless be discovered and his services dispensed with as a liability. The real harm, however, lies in the contagion which follows in the wake of the condition described because of the frenzy to follow suit with which otherwise well intentioned credit men become affected.

It is far from my desire and purpose to belittle the members of the credit profession, and more particularly those of my own industry, because every one of us has gone through an experience these last four years, the like of which I do not believe this country has previously witnessed in all its history, and we must possess some degree of knowledge and ability or we would not be here today to take part in these convention proceedings. We have either justified our hire up to this time or somebody has been badly fooled.

It is needless for me in the short space at my disposal, to particularize on the trade abuses incident to the business operation and credit practices of our Plumbing and Heating Group. Suffice it to say, however, that they will only be corrected and more wholesome conditions return to the industry when each one of us recognizes his responsibility to the industry as a whole, and exerts every effort to stamp out the evils.

To accomplish this, in my opinion, is no mean task, unless the element of human nature of (Continued on p. 47)

Caught—without the goods!

Officers of the Freed Bros. Style Coat House find that bankruptcy brought to an end their freedom, but, unfortunately, creditors are left "holding the bag."

A fact story from the current files of the Fraud Prevention Department

CF The tale of a fraudulent financial statement, and the trail of loss which it left in its wake, was brought to a close just recently when the two officers and an employee of the Freed Bros. Style Coat House, Inc. of New York, were sentenced to prison terms after pleading guilty to a four-count indictment returned by the Federal Grand Jury.

The defendants were sentenced by Judge Alfred E. Coxé Jr. and the Government was represented by Assistant U. S. Attorney Jacob J. Rosenblum who was in charge of the prosecution. The indictment charged them with concealing coats, piecegoods, and cash, in an undetermined amount; the destruction of records; the concealment of records; and conspiracy to violate the National Bankruptcy Act.

Somewhat co-incidentally, the three men lost their personal freedom just about three years to the month from the time in which they conceived their fraudulent enterprise.

That was in the Winter of 1929. The stock market had just gone through its first major slump but the country confidently expected that by the Spring of the following year it would have seen the clearing-up of a weak situation in the economic world and the continuance of the prosperity which had been interrupted in the previous Fall.

In December, 1929, the company was organized with headquarters at 520 Eighth Avenue, for the purpose of manufacturing women's coats. After the organizing steps a financial statement was sent out to the trade as a basis for gaining credit. Its set-up reflected an apparently healthy condition as of December 31, 1929. Signed by Irving Freed as President of the Cor-

poration, it showed a net worth of exactly \$100,000. This amount was reputed to represent paid-in capital. The statement was certified by Hilliard Greenblatt, certified public accountant of New York City, who was included in the indictment but whose case has not yet been disposed of. Greenblatt, incidentally, was more than accountant for the firm. He, as an attorney, guided the firm into corporate existence.

During the Spring and Summer of 1930 the firm conducted its business. But by October 31, 1930, less than a year after the trade had become aware of the new firm's existence, an assignment was made to the Adjustment Bureau of the New York Credit Men's Association by the corporation. A week later, on November 6, an involuntary petition in bankruptcy was filed revealing liabilities totaling approximately \$500,000 and assets with a realizable value of about \$7,000.

The Receiver's accountants, S. D. Leidesdorf and Company, reported after an examination of the records, that approximately \$70,000 in bills payable had been omitted from the financial statement. More than that, it was revealed that the corporation had actually been insolvent at the time the financial statement was issued! Later investigation by Nathan Frankel, an expert accountant connected with the Department of Justice in New York, revealed that at the time the statement was issued, there were approximately \$50,000 worth of fictitious accounts receivable on the books of the corporation.

And that is not the whole story. The accountants also reported that on January 1st, 1930 there appeared to be a discrepancy of \$409,922.68 between purchases and sales. There was also a

shortage of approximately 2300 coats which was found to total almost 3000 when Investigator W. F. Murphy of the Fraud Prevention Department of the National Association of Credit Men investigated the case at the request of creditors. And to top all of these items the rather startling information was uncovered that there existed a questionable item for labor in the amount of \$30,000.

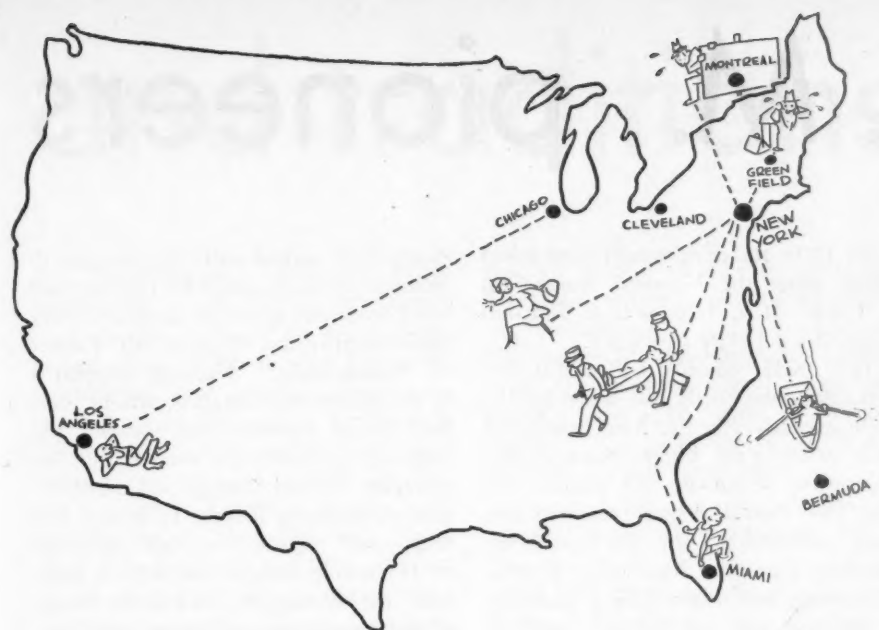
As soon as the corporation was put into bankruptcy various people connected with the fraudulent operation scattered in every direction. The three defendants who were sentenced in November, 1933, by Federal Judge Alfred Coxé—namely Irving Freed, President; Louis Erster, Treasurer; and Albert Sax, employee—made tracks for points about as far apart from each other as was geographically possible.

Erster shuffled off to Montreal. Freed wintered in Florida. Sax basked in far-off California's sunshine.

A woman connected with the firm as a bookkeeper was told that it might be best to leave town for a period of time, although she was not given definite instructions as to where to go. Another bookkeeper sailed the ocean blue, Bermuda bound. Martin Diamond, the shipping clerk, who was later indicted, located at Greenfield, Mass., and Reuben Freed, Secretary, who was later also indicted, entered a sanitarium for health reasons.

At the first bankruptcy hearing, all of the people connected with the firm, who should have been present, were absent. Attorneys appeared for each bankrupt, however, explaining that eventually their clients would make an appearance.

Albert Sax, one of the defendants who pleaded guilty, in a statement given to the district attorney, stated that he was approached by a cousin of both



Erster and Freed and told that if he could make an investment he would be given a good position in New York City. Sax, a peddler of fruits and vegetables, was without any experience in the textile business when he withdrew \$5,000 from his account in a Montreal bank and came to New York from Montreal. He was told to file a certificate using the trade name of the S. & J. Trading Company, which was sent out by the firm to sell piecegoods. Approximately \$20,000 was obtained from the sale of piecegoods which was valued at considerably more, and he was then approached by members of the corporation to open a sales subsidiary under the name of the A. & S. Coat Company at 241 West Van Buren St., Chicago.

Merchandise was then shipped by the concern to him for deliveries in Chicago, all of the sales being made by one of the members of the corporation, his only duties being the delivery of merchandise and collection of the monies, the prices being fixed in New York. The amounts collected by him were in excess of \$45,000 and according to Sax, represented over \$60,000 worth of coats.

Sax received a salary of \$100 a week and was paid back the loan that he had made. He submitted checks in proof of his contention that the money obtained from the sales had all gone back to the members of the corporation and stated that the last time that he had seen any members of the firm was when he had met Erster in Cleveland, Ohio, to turn over the last of the money, at which time Erster told him that he had put so much money into the concern that

he was completely broke and borrowed \$30 from Sax!

Erster told him at that time, Sax stated, that the firm was going into bankruptcy and that, in order to escape being subpoenaed, Sax should leave Chicago and go either to Canada or California. Sax further stated that a day or two after the indictment was filed he received a telegram in California to leave at once for Canada. The telegram was signed by a fictitious name but he declared that he knew Erster had sent it.

An interesting point developed during the course of the hearing as to the amount of \$30,000 charged to labor which had been found to be rather questionable in character. The amount was credited to one Max Goldman, but the Fraud Prevention Department's investigators learned that no such man had ever been engaged by the firm although payments were regularly drawn in that name.

And so the case against the officers and the other defendants developed. On March, 31, 1931 indictments were returned against Irving and Reuben Freed, Louis Erster, Hilliard Greenblatt, Martin Diamond and Albert Sax by the Federal Grand Jury on the four counts mentioned earlier in this article. Slowly the case proceeded through its various stages until late in October of this year. Then the three principal defendants, Irving Freed, Erster and Sax, thinking to escape the full penalty of the law, and finding themselves about ready to stand trial on the charges, entered pleas of guilty.

The significance of their move was at once detected by Assistant U. S. Attorney Rosenblum, who, handling the case in its earlier stages, had been delegated to other matters but was now again battling in the interest of justice. His action has been highly commended by the creditors, who number approximately 150 in all divisions of the clothing industry. Prominent among these creditors and interested spectators during the hearings were William Fraser, of J. P. Stevens & Co., Inc., Lester Prink, of the Textile Banking Company, G. W. Retz, of A. D. Juilliard & Company, H. Scheer, of the American Woolen Corporation and J. P. Donahue, of the Wyandotte Worsted Mills, all of New York, who were represented by Hahn, Abeson and Golin, attorneys of New York.

At the hearing before Federal Judge Alfred Coxe, Rosenblum countered the defendants' maneuver by asking for maximum sentences for Erster and Freed and a moderate sentence for Sax who, he conceded, had been a pawn in the game, more than a participant. Seeing their maneuver outflanked by Rosenblum's counter attack, the defendants' attorney brought the hearing to a standstill by asking permission to withdraw their pleas of guilty.

A week later Judge Coxe continued the hearing, denied the application for withdrawal of pleas of guilty on the part of the defendants and sentenced Freed and Erster to three years imprisonment at the Eastern Penitentiary at Lewisburg, Pa., while Sax was sentenced to five months in the Federal Detention House in New York. Disposition of the cases of Reuben Freed, Greenblatt and Diamond has not yet been made.

The convictions obtained in this important case added three more to the grand total of 1472 developing from cases handled by the Fraud Prevention Department, in cooperation with the Federal and State authorities, since its inception seven years ago.

The Fraud Prevention Department makes no compromise with crime and it will continue to devote its efforts to aid in punishing those who have been making it a practice to defraud their creditors through unlawful methods. By so doing it will unquestionably create a safer field for business.

N. A. C. M. pioneers

by J. H. TREGOE,
Past Executive Manager,
N. A. C. M., 1912-'27

Chapter Five: Testing Years

We now enter upon a cycle of years that embraces the spectacular climax to a thoughtless monetary spree.

An increasing production of goods and the potential profits were attracting capital to large corporations; their methods were not always ethical. President Roosevelt endeavored to restrain them in his dramatic manner, but the fever had gone to the heads of the speculators and under this pressure our monetary system was revealing serious defects.

Segregating money into Sub-Treasuries, the most unique and uncooperative system ever devised by a Government for the protection of its funds, was placing a strain on the currency supply, and an expanding trade increased the need of a circulating medium. This strain Secretary of the Treasury Shaw endeavored to alleviate by depositing public funds in banks on security other than Government bonds. The relief, however, didn't stretch far enough. The inelasticity of the currency proved a great difficulty in the situation. The absence of a central re-discount market, drove deposits from the larger city banks to the smaller banks, as a self-protection, and just when these funds were needed in central reservoirs to meet the gathering monetary storm.

Deposit currency was in its infancy, the check had not attained a popularity for small transactions, money had to be moved seasonally into the agricultural districts for the harvesting of crops; it was thoughtless of the speculatively-inclined people to fly into the face of these obstacles and sap up the available credit supply for the sky-rocketing of securities and real estate. Bucket-shops were flourishing at this time, which indicated a much wider speculative spree, than is usually accredited to this spectacular drama of human greed. The approaching whirlwind had, however, New York as its dead center.

When entering the first year of this

cycle, 1905, the critic would have asked "what about the National Association of Credit Men, how will it function under this perfectly new test?"

The credit control and circulation principles consistently laid down by the credit executives in the Association had made possible the bigger business, the wider flow of goods, and smaller bad debt loss than had ever featured our credit commerce. In the gathering monetary storm the Association kept to its knitting, and worked away patiently to broaden the constructive uses of credit.

Surrounding the nation's credit by laws to regulate the "sales of stocks in bulk" went forward as a forefront policy of the organization. The law was unique in judicial circles, irreconcilable debtors fought the legislation inch by inch, but state after state was added to the honor roll, until at the end of the present cycle, 1908, but twelve states in the nation lacked this protection. Judicial battles were keenly fought over the constitutionality of these laws, and with varying success; the law of New York was held to be unconstitutional, the laws of Connecticut, Michigan and Pennsylvania were sustained.

The bankruptcy debate re-opened with a real rancor when in February, 1905, Mr. Clayton of Alabama, induced the Judiciary Committee of the House of Representatives, to report favorably a Repeal Bill. Very emphatic protests to this Bill issued from the American Bar Association, very many Trade Associations, and prominent newspapers; the sentiment for a National Insolvency Law was perceptibly widening. In the 59th Congress there were offered five Senate Bills and seventeen House Bills for the repeal or the amending of the law; the bankruptcy pot was boiling but perceptibly boiling itself out.

The Association had put into the breach a special Bankruptcy Committee that kept a close eye on the Congressional Bills. On March 2nd, 1906, the Committee was accorded the courtesy of a public hearing by the House Judiciary Committee. The amended law of 1903 was performing very well, bankruptcies of both types were perceptibly declining, but a law of this nature should be

changed to accord with the changes in business methods, and with this in mind our Committee approved an amendatory Bill offered in the House by Mr. Palmer of Pennsylvania. Nothing happened in the immediate Congress, and to forestall future possible complications, the Bankruptcy Committee studied the law carefully, drafted changes and additions that would bring it more fully into line with credit requirements, and entrusted to Honorable Swagor Sherley of Kentucky the offering of a bill in the House of Representatives embracing its recommendations. The cycle closed with this important measure pending.

Many of the addresses made during these momentous days to meetings of Local Associations were credit classics, and could be profitably read by the present generation of Credit Managers.

Credit management was called at this time the "New Profession." "Bad bills have broken more firms than bad business," was one of the glints of wisdom. "Credit is the most precious possession a man may have," has not lost its potency through the years. "No factor is so necessary to building of business as credit, no factor so important to building credit as truth," still hits with the stroke of a hammer.

Memphis was selected for the convention city of 1905. The delegates appeared with enthusiasm enough to stand the ravages of a severely hot sun. The welcome accorded this convention, by Governor Cox of Tennessee, sparkled with wisdom; at one point of his address the Governor said, "Ability is the vital spark that puts energy behind character."

In the debates of this convention the outstanding departments of the Association were critically reviewed; as side streams, there appeared for the first time an appeal for the abbreviation of terms, the promotion of foreign trade on credit, and the economy of commercial arbitration. The membership of the National Association had grown to 6061; new associations had been organized during the previous year at Dallas, Fort Worth, Houston, Norfolk, Chattanooga, Sioux Falls.

Without contest a gentleman of New York, one with a winning personality and an organization genius, O. G. Fessenden, was elected President, and for

and traditions

the Vice-President's office, the genial Kentuckian, F. M. Gettys, was chosen.

Across the scenes of the year's drama passed robust workers, who deserve recording in these annals, amongst the number there stood out prominently Oscar Loeffler of Milwaukee, F. H. Randel of Cleveland, C. D. Griffith of Denver, George H. Graves of Boston, J. L. McWhorter of Nashville, and A. H. Burt of Buffalo, who had been president of his association six successive terms.

When the sixth leaf of the decade was turned the thoughtful financial public sensed the imminent danger of credit inflation. Trust companies in New York City had stretched out into the banking field, solicited and housed demand deposits, without the reserve and examination requirements imposed by law on commercial banks. The banking laws, as a rule, displayed looseness; the visible tightening of the currency was scrutinized by the American Bankers Association, and as a relief, recommended emergency credit notes. Speculation continued to prevail, however, and in the gathering fog business was largely insensible to the approaching dangers.

In the Association's diagram, the economy of friendly adjustments was capturing the credit minds, the interests of debtor and creditor were knit together in this common-sense process. It was one of the most practical devices thought out by the Association for the defense of receivables; it was a distinct evolution in the cooperative spirit. Bureaus were rapidly put together in various local associations, the idea appealed to the active credit workers. At the end of 1908, 41 Bureaus had been organized. The value of conference over this new project brought the Managers together in January, 1907, and they met annually thereafter. A leading spirit in this movement was D. S. Ludlum of Philadelphia. He presided over the first conference of managers and manifested an aggressive interest for many years in the expansion and functioning of the adjustment service.

Restraining credit crimes was emphasized with continuing consistency. Local associations raised funds for this sanitary work; a number of cases were successfully prosecuted; there was a perceptible decrease in offenses. The

ease of getting away with fraudulent schemes to defraud creditors was becoming more difficult. In an important case, the Court said when imposing sentence upon the convicted debtor, "You have struck a blow at the credit of this community." Creditors were urged to scan critically all insolvency cases.

As significant of a new interest in intelligent business management, and in response to the new demands brought about by a broader credit interest, there began to be set up at this time schools of "Business Administration."

In the year of this review the serious disaster fell upon San Francisco. The nation's sympathy was aroused, relief funds were everywhere offered, and the National Association of Credit Men joined in this universal sympathy with a generous subscription.

Panics

repeat themselves

Mr. Tregoe's narration of the events and personalities continues in his inimitably intriguing style—and this month he carries us through the years of the panic of 1907 and its causes. Here is history repeating itself for only a year ago the stress in banking was strikingly similar.

The eleventh annual meeting of the National Association convened in Baltimore during June of 1906. The organization was now approaching a high-water mark in convention entertainment. Baltimore proved a splendid host, and the banquet, which closed the convention, still ranks as one of its greatest social events. The year had seen associations organized in Des Moines, Toledo, Jacksonville, and a rehabilitated organization in Kansas City.

F. J. Stockwell, the Field Secretary, was assisted by A. H. Alexander, whose entrance at this time into our organization began a service of many pleasant years, in the National and as Secretary of the New York Association. 591 delegates and visitors registered for the

Baltimore convention, the membership had reached 7590, with seven local associations exceeded the 300 mark, and New York had a total membership of 611. The fighting and defensive powers of the Association were obviously growing stronger year by year.

The debates at the Baltimore convention over-ran with real interest, Association matters and the economic atmosphere were carefully reviewed. Mr. Fessenden was re-elected President of the National Association, and one of Cleveland's foremost men, T. P. Robbins, was inducted into the Vice-President's office.

The monetary storm was gathering at the close of 1906. Commodity distribution as a rule was not conscious that an economic tragedy was at hand; it was a senseless thing; the speculative temperament again had gotten out of bounds. With the Sub-Treasury system, an inelastic currency, and no official rediscount privileges for the banks, there should have been considerable prudence in capital movements and security speculation. The heedless forged ahead, however, gave no need to farsighted admonition, and the seventh year of the decade opened with the drama set for a disastrous climax.

National banks had expanded from 5118 in 1903 to 6622 in 1907, loans exceeded deposits in 1907 by \$400,000,000.00, reserves had been worn down to a frazzle, hundreds of millions had been borrowed abroad for speculative purposes; the association in this period of financial astigmatism persevered along the lines of its practical and protective policies.

The interchange of credit experiences through local bureaus was prominent in the Association's program as an important cooperative feature. Bureaus had appeared for the conduct of this interchange, and they expanded, until twenty-five local associations had installed the service by the close of 1908.

Outstanding figures in the activities of this immediate period and deserving of eminent mention were J. H. Scales of Louisville, Arthur Parsons of Salt Lake City, W. E. Rice of Cleveland, C. G. Rapp of Philadelphia, L. M. Hutchins of Grand Rapids, H. E. Choate of Atlanta, G. L. Levi of Philadelphia.

The twelfth annual meeting of the National Association assembled in Chicago during June. One of the earliest features of this convention was the adoption of an amended Constitution; this amendment (Continued on page 45)

The business

a compilation of business and

BUSINESS INDICES: Most every index observed during the third week in December reflected quite a decided influence of government money. *Business Week*, which is being looked upon as an authority in such matters by the average business man in the street, shows that the index of business activity for the week ending December 16th, held quite firm with the previous week; several individual features such as steel operation, building contracts, electric power and bond prices showed important gains. The steel operations jumped from 28.3 to 31.5 as against a five year average of 44. Bond values showed an increase of \$1.66 according to the Dow, Jones report on 40 average bonds.

AUTOMOBILE TRADE: At this season of the year the commercial world looks with longing eyes toward the motor field as one of the very best thermometers after the New Year. Reports from Detroit, South Bend and other automobile centers tell of pleasing prospects. The sharp revival in export sales of American made cars is one of the bright spots shining out at this time. While no statement has been issued by the Ford interests relative to the sales reactions obtained at the Detroit and New York shows held by that company during December, reports from Detroit indicate the Ford company will start soon on full production and with excellent prospects for orders during the first months of the new year at least. General Motors has been announcing several radical changes in its several lines.

STEEL TRADE: With the boost in the steel ingot production considerable in every important production section, the steel people are now beginning to talk of what will happen should the spurt of the past week in production orders increase beyond the present trade employment level. As indicated elsewhere on this page the magazine *Steel* indicates that increase is heading toward the five year level. What would happen if trade arrangements in foreign fields should suddenly boost this demand for production still further? Where would the man-power be obtained to turn it out? Last summer we were worrying how we could employ men—now we are worrying how we are going to find men to employ. Not a bad sign.

TEXTILE TRADE: The usual holiday letdown in the textile field holds unusual significance this year largely because "everything is different." With one eye looking toward the retail field to see how well resales are going, the entire industry seems to be entering a revival stage for 1934 that holds considerable promise for profitable business. The distribution of an estimated \$48,000,000 to some 600,000 raisers during January is expected to level off the price range for the raw cotton. The limitation of production during January and February in the yarn and printing industry has been announced from Washington; also expected to maintain prices at present or higher levels.

Perhaps one of the best indexes of trade in general is found in the report on sales in department stores in the larger metropolitan centers as reported by the National Retail Dry Goods Association. The report covers 16 cities and indicates an average gain of 16 per cent with 3 per cent for Detroit the lowest. New York City is not included in the report. The percentages of gains reported by the various cities follow:

Detroit, 3 per cent; Seattle, Wash., 5 per cent; San Francisco, 8 per cent; Philadelphia, 8 per cent; Baltimore, 8.3 per cent; Nashville, 10; Chicago, 16; Cincinnati, 16; Indianapolis, 20; Kansas City, Mo., 21.5; Phoenix, Ariz., 26; Charleston, W. Va., 26; Denver, 28; Little Rock, 32.9; Pittsburgh, 33.3, and finally Miami, 38.

New York—meaning of course the greater New York area—reported an even bigger trade day on Monday, December 18, than on Saturday, December 16. In many stores special bargain counters had to be removed from the main aisles and large numbers of extra clerks had to be called in. The preliminary survey of buying in Gotham has been called the best since 1929.

Bank deposits

One item which is expected to influence business during the early portion of 1934 is the new bank deposit guarantee law, which goes into effect on a temporary basis on January 1. Up to the middle of December 6,748 banks had applied for membership in the temporary insurance fund. A force of 1,641 have passed upon 5,180 banks and it is expected that all applications will be reached by the New Year. During the past few weeks there has been a brisk increase in the number of banks selling preferred stock or stock notes to the government. The total now taking Uncle Sam into partnership is past the 1,500 mark with a total investment by our Uncle of over \$400,000,000. When Chairman Jesse H. Jones of the RFC announced that no bank in which the government was a partner would be allowed to fail under any circumstances, the banking fraternity took a more



thermometer:

financial trends and indications

liberal attitude on Uncle Sam's proposal for partnership.

"Month by month collections in the wholesale men's clothing industry, during the 12 months ended October 31, 1933, while in some instances as much as 15 per cent better than the corresponding month last year, show for the year as a whole an improvement of about 5 per cent," reports the Daily News Record, December.

"Inspection of the Federal Reserve Bank's monthly percentages of accounts outstanding at the end of one month and collected in the following month indicates that, from the point of view of receipts for orders filled, August was the best for the year. This improvement, it is observed, followed the record July wholesale clothing business in this area and continued on into September.

"The monthly ratio of collections to accounts outstanding has ranged from 30.2 to 46.0 during the 12 months ended October 31, last, the Reserve Bank's figures disclose. The year as a whole shows a much more even trend than in the preceding period, with the percentage of accounts outstanding at the end of a given month and collected in the following month being at least 30 per cent or over."

"Steel market activity was quickened last week by a strong combination of the second largest weekly awards in 1933 for structural material, negotiations for upward of 13,000 freight cars with other railroad programs maturing, a further flurry in scrap prices, and the expiration January 1 of all contracts carrying prices lower than those announced for first quarter," states the magazine Steel.

"The result—wholly contrary to the seasonal trend—was a 4-point rise in steelworks operations to 33%, highest in eight weeks, and a sudden expansion in shipments by some producers to a level exceeding even those of last July. The drive for specifications may well engage iron and steelworks at or near the present rate over the holiday period.

"The movement of pig iron is unusually brisk, some of the lake furnaces

shipping nearly twice as much in December as last month. Orders for January delivery have improved, but few melters are contracting for the full first quarter. A Pittsburgh furnace is inquiring for six months' supply of coke, approximately 60,000 tons. Scrap prices are up sharply for the third consecutive week."

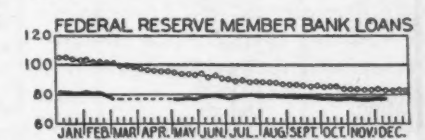
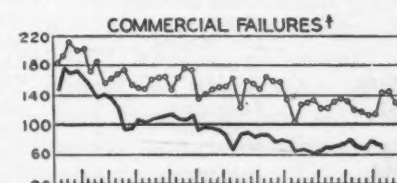
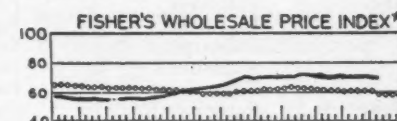
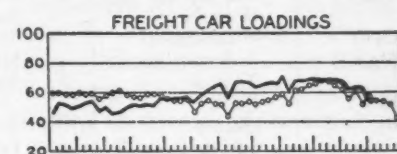
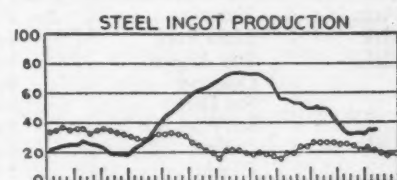
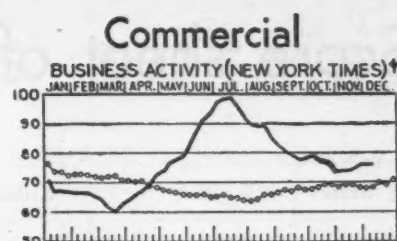
Under the general heading of "Business Trends in December" a writer in the December issue of Forbes magazine paints this rather joyous prospect:

"If December were to make as much improvement as did November, the results would indeed be preposterous. Thirty-one billion dollars would have to be ticked off on the cash registers of the nation, included in its payrolls, and figured in its general business transactions and speculations. This would put December on a par with July, a month which was reached only after an orgy of speculative buying and speculative investing.

"Last year, December just missed ringing up 27 billion dollars. This year, a perfectly safe estimate seems to be that business transacted will be in excess of 28 billions.

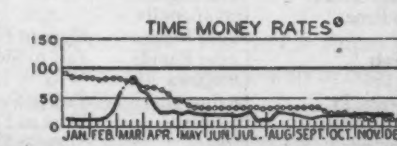
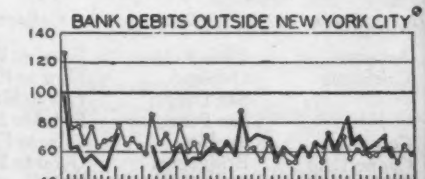
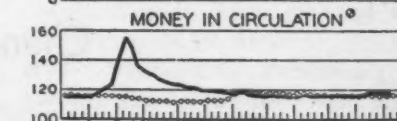
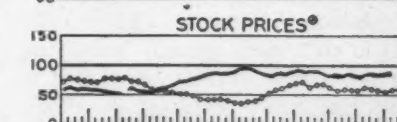
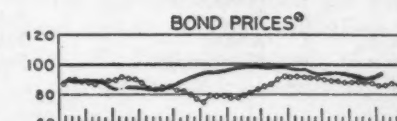
"A figure of 31 billions is by no means impossible, however. In no year since 1923 has December business failed to exceed November's by at least 6 billion dollars (except in 1929; *requiescat in pace*). November, 1933, was \$24,130,537,000. Add 6 billions and you have 30 billions."

The eyes of the nation will be turned during January toward Washington where the Congress will gather early in the month. Of particular interest will be the plans proposed for taxes. The House Ways and Means Committee is not expected to have its report ready until February 1, but the hearing to be held during the month will have a large influence upon that report. The all-important question to be faced is how Uncle Sam will be able to balance his budget. There seems to be considerable difference of opinion between the White House and Capitol Hill as to just how this should be done.



† COMPUTED NORMAL = 100 * 1926 = 100 † NUMBER
Dept. of Commerce charts, 1923-25 = 100

Financial



* DAILY AVERAGE



Score sheet of collection and sales conditions

State	City	Collections	Sales	State	City	Collections	Sales
Ala.	Birmingham	Fair	Fair		Buffalo	Fair	Fair
Ariz.	Phoenix	Fair	Fair		Elmira	Fair	Fair
Ark.	Little Rock	Fair	Fair		New York	Fair	Fair
Cal.	Los Angeles	Fair	Fair		Rochester	Fair	Fair
	Oakland	Fair	Fair		Syracuse	Fair	Fair
	San Diego	Slow	Fair		Utica	Fair	Fair
	San Francisco	Fair	Good	N. D.	Grand Forks	Fair	Fair
Colo.	Denver	Fair	Fair	Ohio	Cincinnati	Slow	Slow
	Pueblo	Fair	Fair		Columbus	Fair	Fair
Conn.	Bridgeport	Fair	Fair		Dayton	Fair	Fair
	Waterbury	Fair	Fair		Toledo	Slow	Slow
D. C.	Washington	Slow	Fair		Youngstown	Fair	Fair
Fla.	Jacksonville	Slow	Slow	Okla.	Oklahoma City	Slow	Fair
	Tampa	Slow	Slow	Ore.	Portland	Fair	Fair
Idaho	Boise	Good	Good		Tulsa	Slow	Slow
Ill.	Quincy	Slow	Fair	Pa.	Allentown	Slow	Slow
	Springfield	Fair	Fair		Altoona	Slow	Slow
Ind.	Evansville	Fair	Fair		Harrisburg	Fair	Fair
	Ft. Wayne	Fair	Fair		Johnstown	Slow	Fair
	Indianapolis	Fair	Fair		New Castle	Fair	Fair
	South Bend	Fair	Good		Uniontown	Slow	Slow
	Terre Haute	Fair	Fair		Wilkes-Barre	Slow	Fair
Iowa	Burlington	Slow	Slow	S. Dak.	Sioux Falls	Slow	Slow
	Cedar Rapids	Slow	Fair	Tenn.	Bristol	Fair	Fair
	Davenport	Slow	Slow		Chattanooga	Fair	Fair
	Des Moines	Slow	Slow		Knoxville	Fair	Fair
	Ottumwa	Slow	Fair		Memphis	Good	Good
Kans.	Wichita	Slow	Slow	Tex.	Austin	Good	Good
Ky.	Lexington	Slow	Slow		Dallas	Fair	Fair
	Louisville	Fair	Fair		El Paso	Fair	Fair
La.	New Orleans	Fair	Fair		Ft. Worth	Good	Good
Md.	Baltimore	Fair	Fair	Utah	San Antonio	Fair	Fair
Mass.	Springfield	Fair	Fair		Salt Lake City	Fair	Fair
Mich.	Detroit	Fair	Slow	Va.	Lynchburg	Fair	Fair
	Flint	Fair	Fair		Richmond	Good	Good
	Grand Rapids	Fair	Fair	Wash.	Bellingham	Slow	Slow
	Jackson	Fair	Fair		Seattle	Good	Fair
Minn.	Duluth	Fair	Fair		Spokane	Fair	Fair
Mo.	Kansas City	Slow	Slow	W. Va.	Tacoma	Fair	Fair
	St. Joseph	Fair	Slow		Bluefield	Slow	Slow
	St. Louis	Slow	Slow		Charlestown	Fair	Fair
Mont.	Great Falls	Fair	Fair		Clarksburg	Fair	Slow
	Helena	Fair	Good		Parkersburg	Slow	Fair
N. J.	Newark	Fair	Fair	Wis.	Wheeling	Slow	Slow
	Trenton	Fair	Fair		Fond du Lac	Slow	Slow
N. Y.	Albany	Fair	Fair		Green Bay	Slow	Slow
	Binghamton	Fair	Fair		Oshkosh	Slow	Slow
					Milwaukee	Fair	Fair

Changes since last month's survey

State	City	Collections	Sales	State	City	Collections	Sales
Arkansas	Little Rock	Good to Fair		Montana	St. Louis	Fair to Slow	Fair to Slow
California	Oakland	Slow to Fair	Slow to Fair		Great Falls		
	San Diego	Fair to Slow	Slow to Fair	New Jersey	Trenton	Slow to Fair	Slow to Fair
	San Francisco	Good to Fair	Fair to Good	New York	New York		Good to Fair
Colorado	Pueblo	Slow to Fair		Ohio	Columbus	Good to Fair	Slow to Fair
Connecticut	Bridgeport	Good to Fair			Youngstown	Slow to Fair	Slow to Fair
Dist of Col.	Washington		Slow to Fair	Pennsylvania	Allentown		Fair to Slow
Indiana	Indianapolis		Slow to Fair		Harrisburg	Slow to Fair	Slow to Fair
	South Bend	Slow to Fair	Slow to Good		Johnstown		Slow to Fair
Iowa	Cedar Rapids	Fair to Slow		S. Dakota	Sioux Falls	Fair to Slow	Fair to Slow
	Ottumwa		Slow to Fair	Tennessee	Chattanooga	Slow to Fair	Slow to Fair
Kentucky	Lexington	Fair to Slow	Fair to Slow	Texas	Dallas		Slow to Fair
Maryland	Baltimore	Slow to Fair	Slow to Fair	Utah	Salt Lake City	Slow to Fair	
Michigan	Flint	Slow to Fair	Slow to Fair	Washington	Seattle	Slow to Good	Slow to Fair
Missouri	St. Joseph		Slow to Fair	West Virginia	Parkersburg	Fair to Slow	

Sales—collections survey

ALABAMA: Birmingham reports a movement from Fair to Good for both Collections and Sales.

ARIZONA: Phoenix sends word: "Improvement is very slow but now is sure."

COLORADO: Denver: "November beet payments in Colorado, Wyoming and Western Nebraska have helped materially in this district. Wheat allotment money is also helping some. Government relief work is getting people back to work. There still are some closed banks, that if opened would help. Mining activity is beginning to be felt."

CONNECTICUT: Waterbury: "Seasonal slowing up of factory production has caused a similar reaction in collections and sales. There is a definite optimism in the air due to a belief that production will again increase after the New Year."

DISTRICT OF COLUMBIA: Washington reports collections slow with fear of inflation making debtors wait, hoping debts will be easier to pay. Sales reported fair for the holiday trade.

FLORIDA: Jacksonville says both sales and collections during November were disappointing for both wholesalers and retailers. There is a somewhat better mental condition but the only improvement is mental.

INDIANA: Terre Haute indicates a continued pick-up in sales with collections fair. Fort Wayne reports C.W.A. checks are starting to help retail sales. Evansville in reporting a change in collections from Fair to Good indicates that collections are better off than sales. Warm weather in November and early December has retarded retail sales.

ILLINOIS: Quincy reports Public Works money to be spent in that area is bright spot.

IOWA: Davenport reports "should be some improvement as result of better employment and prices after the first of the year." Des Moines says sales show improvement since corn loans started.

KANSAS: Wichita reports that crop failure in that area still is affecting both sales and collections. Old accounts are considered almost valueless.

MASSACHUSETTS: Springfield indicates that manufacturers are generally busy but that cash is slow in reaching the retailers.

MICHIGAN: Detroit still is affected by bank conditions. Sales connected

with automobile industry showing some improvement. Flint tells of some improvement in both sales and collections in last ten days.

MINNESOTA: Duluth says some improvement in both sales and collections but little expected there until spring trade opens.

MINNEAPOLIS: Collections are keeping up satisfactorily. This is particularly true with current purchases. Real old accounts are still frozen tight. Nevertheless there is indication of a thawing process when the government money has an opportunity to circulate. There is now evident an increase in sales and an improvement in collections

MISSOURI: St. Joseph writes that city collections are better than in rural districts.

NEW JERSEY: Newark reports that some lines are reporting improvements in both collections and sales, but both are rated only Slow to Fair.

NEW YORK: Metropolitan area reports a change from slow to fair in sales with collections still held at fair. Binghamton reports large distribution of funds by large corporation in that vicinity. Another report from Binghamton shows that collections from New England show some improvement.

OHIO: Both Toledo and Cincinnati report some improvement in sales but still far below the summer activity.

OKLAHOMA: Oklahoma City says "this territory seems to be holding its own. Southwest and Central portions of state report good collections and sales. PENNSYLVANIA: Allentown indicates mine and textile strikes have influenced both collections and sales. Uniontown says settlement of strike there has aided business.

TENNESSEE: Chattanooga reports that a number of N.A.C.M. members report improvement in both sales and collections.

TEXAS: San Antonio reports that unseasonable weather has affected both sales and collections, although sales have registered some gains in past month. Austin also reports November was a good month in both collections and sales. El Paso reports sales of cotton in that area has helped seasonable business.

VIRGINIA: Richmond writes "Improvement (change from Fair to Good in both sales and collections) due principally to favorable crops and prices. Current accounts being met and some reduction in old accounts."

WEST VIRGINIA: Parkersburg says payrolls and employment have shown some gains but business still is a bit slow. Charleston indicates that improvement in coal business will soon be reflected in trade.

WASHINGTON: Seattle reports sales run good for three weeks out of month. Association reports collections improving.

WISCONSIN: Fond du Lac shows some improvement in past month in both sales and collections.

Summary

Last Month:

Collections:		Sales:	
Good	8	Good	8
Fair	56	Fair	55
Slow	38	Slow	38

This Month:

Collections:		Sales:	
Good	6	Good	6
Fair	69	Fair	75
Slow	33	Slow	37

which can be directly traced to the NRA activities, the public work program, federal wheat allotment funds. The benefits from the federal wheat allotment are not yet far reaching. Only a few counties have actually received the money. Nevertheless this is one relief measure where the funds actually go to the farmer and today's tendency toward improvement is attributable to a considerable extent to the allotment plan and its contemplated release of actual cash to the farmers.



Paging the new books



Reviews of the important books on business, to aid executives whose reading hours are limited.

C This month's **M** business book

WEALTH, VIRTUAL WEALTH AND DEBT. By Frederick Soddy. E. P. Dutton & Co., New York.

The times are not conducive to Technocrats. It is significant that the Rooseveltian sun outshone the gloominess of those who predicted dire things if we did not mend our ways soon—and drastically. But the thoughts of the Technocrats were not entirely new; in some similar form they have found expression before. And soon after it had become fashionable a year ago to say "Have you read the technocratic statements?", it became a near-certainty that the answer would be parried with "Yes, but have you read Thorsten Veblen, or Soddy?"

And it was Soddy's "Wealth, Virtual Wealth, and Debt" that was meant. Originally published in 1926, it has been re-issued with a "Foreword to the American Nation" by its English author, winner in 1921 of The Nobel Prize in Chemistry, Professor of Chemistry at Oxford. When it was first published, it had the respect of the cognoscenti. But 1926 was a year of prosperity, the precise year which now seems so desirable to the Roosevelt administration. And such a book as Soddy's could not—and didn't—gain general interest then.

It would be quite impossible here to present more than a skeletonized summary of the author's study and his conclusions. Three hundred pages of economic theory and postulation cannot be boiled down to a one-column review with justice to the reviewer or to the book.

The author brings to his work the trained perception of a brilliant scientific mind. And in his analysis, he develops a brief for government control of credit money as well as cash money because of the arbitrary control over credit money creation and destruction now in the hands of the bankers. When you pause to reflect that you can be apprehended for the creation of a spurious dollar bill, you will see some logic in his claim that creation of credit money (the most important because it is represented, roughly, by a ratio of 10 credit dollars for every dollar of cash currency issued) should be in the hands of government, which would have had it if credit money had been as important centuries ago, when our monetary policies evolved, as it is now.

We have today a money system controlled, arbitrarily, by key bankers, Soddy declares, and in its workings the system creates and destroys money. Accordingly, he would have us face the situation and have its control through governmental rather than private banking means.

—PAUL HAASE

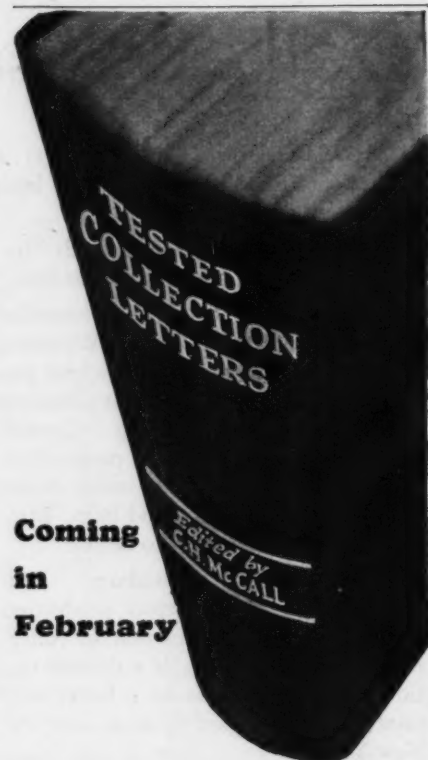
How taxes arise and how they're collected

CURRENT PROBLEMS IN PUBLIC FINANCE. A Symposium published by Commerce Clearing House, Chicago, Ill. \$2.75.

THE THEORY AND PRACTICE OF MODERN TAXATION. By William Raymond Green. Commerce Clearing House, Chicago, Ill. \$2.75.

Public finance and taxation are inseparable. Like Chinese twins you must have one with the other. And today both are productive of a big national headache. Where to find money for public use, and how to get it, is one of the biggest problems of our legislators. And the recent repeal of the 18th Amendment has helped, but not solved, our problem. Since all of us, directly or indirectly, pay a large share of our earnings to the government, we are or should be vitally interested in its expenditure and the reasons back of our eligibility for taxation. These two volumes develop the two sides of the picture and are excellent material for studying the taxation problem.—P. H.

CREDIT and FINANCIAL MANAGEMENT . . . JANUARY, 1934



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in
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How to INCREASE YOUR COLLECTIONS—How to adapt the money-getting letters and complete follow-up series of representative companies in America to your business—

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Actual money-getting letters used by these companies with records of results secured—

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"This month's collection letter"

By CONWAY BOLSTAD, Midwest Distributors, Inc., Minneapolis, Minn.

Gentlemen:

The other morning I happened to be sitting in a seat ahead of two gentlemen riding to work on a street car, and having nothing to do but listen, I did. Their conversation ranged from Hitler and Prohibition to the more personal subject of "when will I get out of the red." One of the men, evidently the more businesslike, explained he was working on a budget and figured that by the 1st of the year he would be all square. The other "hemmed and hawed." He couldn't see the light of day and didn't know when he would. At that point I got off the car wondering.

Before me today I have a list of wholesalers who are past due, some quite a bit,—some not so much. You are one of them and I am wondering how many will be like the first man, all square and ready to discount by the 1st of the year. Will you be one of them? I hope so.

Believe it or not, this Credit Department is here to help you with your problems; to help you work out a plan making it possible for you to begin discounting by January 1st, but to do so we must have some expression from you . . . some outline as to how things are going.

The delinquent balance which was due on your account November 1st amounts to \$16.96. Not large it is true, but nevertheless important to you and to us. If you need more time, write me. If you can pay, send your check today in the attached envelope. Will you cooperate?

Mr. Bolstad presents

an interesting

letter for the

consideration of

all who have

to meet the problem

of getting the

"Accts. Rec." paid.

EN "Once every so often a fellow writes a letter he believes will click. I had one sometime ago which you so graciously printed in one of the past issues. Another brain child has been conceived and I am attaching a copy of it, as used to collect our wholesale magazine distributors accounts. It has proved an instantaneous success. Largely, I feel, because of the matter of interest that is imbibed in one on reading the first paragraph," Mr. Bolstad writes.

"I have found on reading over many collection letters that have just missed

being successful that the great majority of them jump right into the subject in the first sentence and as a result, perhaps, lose some of the appeal they could have if they had taken a more indirect way.

"By talking of something other than credit and collections in the first sentence we are enabled in this letter to secure the attention of the reader, and those to whom I have shown it have agreed with me that it is an attention getter."

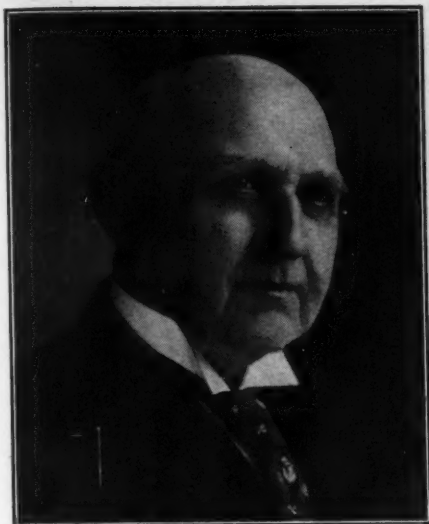
Supplementary to your collection letter efforts there should be reliance on

Credit Interchange reports. With interchange reports before you on each of your accounts, you will attain maximum effectiveness in using the collection letters presented here.

Send us your best collection letter for our "collection of collection letters" which we are gathering for the readers of CREDIT AND FINANCIAL MANAGEMENT.

A selected series of individual copies of the collection letters which have appeared in the magazine are available upon application to Miss Mary V. Larkin, Manager, Collection Letter Department, CREDIT AND FINANCIAL MANAGEMENT, One Park Avenue, New York, N. Y.

CREDIT and FINANCIAL MANAGEMENT JANUARY, 1934



Mr. A. L. Sommers

One more of the Associations' pioneers, and with a distinguished career in all of his activities, has been called into the Great Unknown.

Mr. A. L. Sommers of Cleveland, Ohio, affectionately known among his associates as "Daddy" Sommers passed away very recently and at a ripe old age. He was born at Cuyahoga Falls, Ohio, on December 9th, 1845 and throughout his long life was consistently known as a devoted worker in every vocation he undertook, and won his way by a genial personality that attracted confidence and held friends.

The fighting qualities of the man were exemplified when at the age of 17 he enlisted in an Ohio regiment, and when being discharged after a brief period of service he re-enlisted and participated and fought through battles in Georgia and Tennessee. An honorable discharge was accorded him when the war was over, at the age of 20 years with the rank of First Sergeant.

Mr. Sommers' first business training was in the Cleveland office of R. G. Dun & Company. Later he became identified with A. Stephens & Sons of Cleveland. He followed this company through several changes until the Standard Brands, Inc., became the owners. He had a record of 64 years of continuous service with these companies, forming a record that could be paralleled in very few instances.

The National Association of Credit Men at its organization in 1896 attracted Mr. Sommers, as it did so many active Credit Managers in those days; he became identified with its work and was made President of the Cleveland Association of Credit Men in 1900. With the courage that always dis-

tinguished this splendid man, he induced his associates to invite the National Association to hold its annual meeting in Cleveland during 1901. He did this when the Association had but 53 members, the invitation was accepted, and at Cleveland the Association made distinct progress in the extent and nature of its annual meetings.

Ever since Mr. Sommers has taken an active interest in the affairs of the Cleveland Association and the National Organization. He never failed to answer a call for service and his life throughout was such a pattern of consistency and devotion, that in recognition of its great worth to the local work, at a meeting in October the Cleveland Directors presented Mr. Sommers with a beautiful bible. He had a strong religious trend and those who were present at the tendering of this gift will never forget the mellowness of his attitude nor the words of the speaker "I have kept the Faith."

Mr. Sommers has but one survivor, his widow, but the memories of his devotion to duty, of his response to service and his lovely character will never pass away.

—J. H. Tregoe



Chicago Association's New Home

Sorry she spoke.—"How did you get that black eye, Mrs. Higgins?"

"Well, sir, me 'usband came out of prison on 'is birthday."

"Yes."

"And I wished 'im many 'appy returns."—*The Humorist.*

Ear to the ground.—"What is your opinion of the tariff?"

"It's a great question," replied Senator Sorghum, "on which I do not permit myself personal views. My public opinions are regulated largely by the lines of business in which my most influential constituents happened to be engaged."—*Washington Evening Star.*

When you are IN NEED of a CREDIT MAN, or an ACCOUNTANT

let us know your requirements, and we will send you full particulars concerning men qualified for such positions.

- ▲ We have graduates who are employed as credit managers and assistant credit managers in department stores, wholesale houses, manufacturing establishments, and banks.
- ▲ Others are employed as treasurers, assistant treasurers, comptrollers, statisticians, auditors, cost accountants, chief accountants, and office managers.
- ▲ This is the largest professional school in the country which is devoted exclusively to training men to become specialists in credits, accounting, and finance.
- ▲ Would you be interested in starting one or more young men of unusual promise in minor positions with the idea of developing them for major positions?
- ▲ If you have none of our graduates in your organization, try one. You will probably give preference to Bentley-trained men thereafter. Others do.

The **BENTLEY SCHOOL of ACCOUNTING and FINANCE**
921 Boylston Street, Boston, Massachusetts
H. C. BENTLEY, C.P.A., President



Our readers think



I wholly disapprove of what you say and will defend to the death your right to say it.—
Voltaire to Helvetius

The NRA and business

To the Editors:

We regret that there has been a delay in reporting to you regarding the Forum meeting held in this Association on "How My Credit Problems Have Been Affected Because Of Present Business Conditions."

The meeting was well attended and we give you below a synopsis of the different opinions expressed:

Paint Manufacturing Co., distributing on a national basis:

"We are more careful today than ever before in extending credit. We require more information. We dig into the facts more thoroughly than several years ago when we had a boom market."

Automobile Supply Manufacturer, distributing on a national basis:

"I cannot see where our company has changed much in credit policies since the bank holiday. We are using great care in analysis of financial statements, and in our investigations. If there is any difference—it is that we are being more careful."

Shoe Jobber, selling only in the East:

"Because of the N. R. A., we found many customers endeavoring to buy everything they could get, anticipating price increasing and, as a result, the wholesaler in our line was forced into the position of a banker. The retailer did not find any considerable increase in retail sales and accordingly he is well stocked with merchandise and the wholesaler is carrying the account receivable which the retailer is in

no position to pay. This condition has made it necessary for the credit department to study very carefully the actual requirements of the retailer and to study very carefully his operating statement."

Commercial Stationery, Northern New Jersey:

"I am finding many large organizations that previously discounted, now getting slow in their payments. I find that even large organizations are switching their purchases from one commercial stationer to another. I am, therefore, questioning all unsolicited orders that I receive from any firm."

Jobber in Chemicals and Oils:

"We are investigating all accounts very carefully, as we have found recently that some customers have been closed, due to foreclosure on chattel mortgage and distraint for rent. Because of the fact that some retailers have had their accounts tied up by restrictions of banks and Building & Loans, we find we have to be very careful, particularly with those concerns that were operating with limited quick assets."

Paint Jobber, distributing in North Jersey:

"We are much more careful in our credit investigation and find that we are depending more upon the moral risk and the paying experience of our customer, rather than upon his capital. We are, therefore, very anxious to secure information regarding the ledger experience of others who sell our customers."

Manufacturer, selling to radio tube manufacturers:

"We are very busy at the present time, because of seasonal demand and are, therefore, inclined to be rather liberal. We are, however, trying to select those customers that we believe will be able to sell their product and, in turn, pay us."

Banker:

"We have not changed our credit policy to any considerable extent. We agree that it is necessary to be more careful in credit investigation. We find that it is more difficult to secure financial statements. It is necessary to follow very closely to secure an accurate statement and then, because of depreciation of assets, it is more difficult to properly analyze the statement. Then, on the other hand, too much emphasis cannot be placed upon the financial statement as, under present conditions, it is necessary to analyze more carefully the operations, the personnel and the prospects of business."

"I question any statement that bankers are too conservative in the extension of credit at the present time, for the concern that stands up well after a careful investigation is not complaining, and no one can blame the bank for not extending any considerable credit to a firm that does not stand up well after a careful credit investigation."

Jobbers in Cigars and Confectionery; distributing throughout New Jersey:

"Inasmuch as 75% of our customers are not given a rating by mercantile agencies, we are depending more than ever before upon reports furnished to us by our salesmen. We are watching more carefully the large number of accounts on our ledger. We are paying particular attention to clas-

sification of past due accounts and are following collections rigidly, even to the point that we are exerting more collection effort on thirty day past due accounts."

Ink Manufacturer, selling on a national basis:

"We have considerably reduced both the number of past due accounts and the amount of money past due because of the fact that we are investigating more carefully than ever before and are insisting upon prompt payment of accounts."

Brewer:

"Although we started selling beer on practically a cash basis, we have been led into the extension of credit. We are, however, endeavoring to be very careful to extend credit only to accounts of real merit and to follow closely for collection."

Many other credit executives spoke on the topic and it was very evident that it was quite the unanimous feeling that credit should be extended more carefully than ever before; that the credit man should not be satisfied until after a very exhaustive credit investigation, and because of depreciation of assets, the credit man must be guided considerably by the ledger experience of others who are selling to his customers and that the credit man must follow collections very intelligently and promptly.

Very truly yours,
WILLIAM H. WHITNEY,
Secretary-Manager,
New Jersey A. C. M.

What Ma Means

Higgs: "I hear your daughter is to marry a man of means."

Briggs: "Well, I don't know what he means or she means, but that's what her mother means."

Anybody Seen Flynn?

The book agent advanced toward the door.

Mrs. Flynn stood in the doorway with a huge stick in her hand and an ugly frown on her face.

"Good morning," said the stranger, politely. "I'm looking for Mr. Flynn."

"So'm I," announced Mrs. Flynn shifting the club to the other hand.

Cleaver Expert

"Why did you break your engagement to Tom?"

"He deceived me. He told me he was a liver and kidney specialist, and I found out that he only worked in a butcher's shop."—Boston Transcript.

Needed Ventilation

"Why is this cheese so full of holes?"
"That's all right. It needs all the fresh air it can get."



Old Masters

If you're satisfied with your position, YOU DON'T WANT TO READ THIS AD.

(Hand it to someone who likes to get ahead)

MAYBE you're one of those fortunate people who keep moving along without much effort.

You don't need many of the so-called "breaks"; you probably have an inherent aptitude for business. Well then, you don't need the aid of National Institute of Credit courses, either.

But if *you* don't, you no doubt know someone—some personal or business friend—who doesn't always come up to scratch, who's usually just a bit short of ringing the bell. And it's likely he'd

appreciate a tip about the N.I.C.—and its new course in credits and collections, for instance.

Then why not tell him about it? And tell him, too, how easily home-study courses can fit into his daily schedule. And that the course in credits and collections includes such essentials as:

Credit qualifications, Credit Department organization, credit documents, types of credit, how to investigate, sources of credit information, financial statement analysis, collection methods,

how to handle insolvencies and bankruptcies, credit safeguards.

That's sketchy. But it'll give you—and him—an idea of what the course offers.

The importance of a sound knowledge of credit fundamentals today is obvious to anyone in business. *You* realize that. And he will—once he has started the course.

Pass on the good word. Or just clip the coupon below. We'll do the rest.

NATIONAL INSTITUTE OF CREDIT

.....
NATIONAL INSTITUTE OF CREDIT, Dept. 11,
One Park Avenue, New York.

(me)
Please send (my friend) details of your NEW course in Credits and Collections.

(MY)
(HIS) NAME.....

ADDRESS

CITY STATE

When writing to advertisers please mention Credit & Financial Management



Insurance digest

Inaugurated because of the credit fraternity's close contact with the insurance field and need of information about it.

Who collects?

One day last October there were recorded in railway history the details of a million dollar freight wreck. To the man who is charged with the billing and collecting of accounts for an industrial or wholesale concern, that accident has especial significance, as practically the entire loss was entailed in the merchandise destroyed and in the damage to the rail company's rolling stock. In that more-than-a-half-mile-long train, there were undoubtedly shipments belonging to many different consignors. The first question that naturally comes into the mind of the credit and financial executive is: "Who stands the loss in such a case?"

In this connection it is important to consider that shippers are offered two types of Bill of Lading. The regular form of bill of lading does place the burden of loss upon the railway company. However many shippers are using what is termed a "released" type of Bill of Lading whereby the carrier is released of liability except for a certain amount, below the actual value of the merchandise shipped. The shipper in such cases must either stand the loss himself or carry insurance to protect his interests.

Some credit men might speak out and say that such a situation could not face them as their responsibility ceases when they deliver the goods to the railway company. But do they know that such is the case? Suppose for example the A.B.C. & Co. of St. Louis, accepts an order from the XYZ Co. of Chicago for

100 gross of axe handles at \$14.40 per gross, f.o.b. Chicago, freight allowed to Chicago. What would happen if this shipment was turned into kindling wood in a train wreck between St. Louis and Chicago? Who would be the one to file the claim with the railway company and would the railway company be liable for the entire invoice price? On page 61 in the 1934 edition of Credit Manual of Commercial Laws we find this information about the Delivery to a Carrier on Behalf of a Buyer. "Where by the agreement the seller is to send the goods to the buyer, delivery to the carrier for transmission to the buyer (whether named by the buyer or not) is deemed delivery to the buyer: but where the seller is to deliver the goods to the buyer at a particular place or to pay the freight, the rule is otherwise. (Rule 6 under part XIII in the same chapter on the Law of Sales under the heading of Rules for Determining Intent Unless a Different Intention Appears, says as follows:

"Contract requiring seller to deliver the goods to the buyer or to prepay transportation charges to a place designated by the buyer: Property does not pass until goods have been delivered to the buyer or have reached the place designated) Item XXVII on page 61 in Credit Manual continues on this subject: "The seller must make such a contract with the carrier as the nature of the goods and the facts of the case reasonably require; otherwise the buyer may reject delivery or may hold the seller liable for damages. Where insurance is usual the seller must give the buyer an opportunity to insure, otherwise the goods are at the seller's risk during transit."

From the above it is seen that the seller rather than the buyer would be the one to file claim for the loss in case of a wreck between St. Louis and Chicago. Under the railway law the claim for damages would be for the amount of the market value of the goods at the time of the wreck at the point nearest to the wreck (St. Louis or Chicago), rather than for the invoice price. If, as an example, this shipment of axe handles had been made under an old contract, the market price on such merchandise having declined 20 percent since the date of the contract, the seller could only claim for the market price, not the contract or invoice price. It is understood that most transportation insurance policies are based upon the full invoice price, plus ten percent. Such insurance is written through a blanket policy cover-

ing all shipments received by the insured during a year.

"How-not-to" Department

"Replying to your letter of November 21- 1933, regarding my promise to come to (Salt Lake) before the First of December, as stated to you personally, I regret that since seeing you, my stenographer took sick three days before Thanksgiving, and on Sunday was taken to the Hospital for an Emergency Operation for Appendicitis.

With this unforeseen Transaction, it has left me with practically all the work to do myself, we have been busy with several jobs and with looking after the books and attending to the store, I have been doing the work of two or three."

—Lassoed by the Credit Dept's,
United Electric Supply Co.,
Salt Lake City, Utah.

Why collectors commit murder.—
"And this beautiful jar," said Jones, proudly exhibiting his treasures. "It cost me \$50."

"Well, well, \$50!" said his friend. "I suppose they threw in the marmalade."—*Boston Transcript.*

• It Covers All •

Life Insurance—the most adaptable factor in modern business and finance—covers practically every phase of family protection and personal security.

Now, in a single contract, known as the **JOHN HANCOCK RETIREMENT FUND POLICY**, are combined its two most important functions—*family protection and old-age income.*

The arrangement is attractively simple. There should be room for it in your family budget. Send for our booklet describing this policy, entitled, "Your Family—Their Future and Yours."

John Hancock
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197 Clarendon Street, Boston, Mass.

Please send me your booklet,
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Name

Street and No.

City State

C. M. 1-34

CREDIT and FINANCIAL MANAGEMENT JANUARY, 1934

Credit control vs. gold control

Confusion regarding the managed or commodity dollar has led the firm of I. Edwin Tanenbaum, Inc., New York Investment Counsellors, to publish a discussion of our present monetary experiment, with a historical background to show the difference between types of money, particularly its tangible and abstract forms. The firm sees much of the present confusion as due to lack of historical perspective, both by the theory's critics and proponents of the managed dollar.

During the first thousands of years, it points out, money was always a tangible commodity. No matter what the medium of exchange was—whether hides, cattle, shells, trinkets, copper, gold or silver—it was, until modern times, always a tangible commodity which could be definitely counted, felt, seen, and which could not be produced at will. Even in Roman times the metals themselves served as a monetary medium. The classical world, in spite of its great development, found it hard to conceive of pure abstractions. To classical man in his daily life nothing was real that could not be seen, felt, heard or counted.

Modern Western civilization, in spirit, differs from all those which preceded it, because abstractions for modern man have become commonplace. In fact, he is so used to them that he must make a conscious effort to differentiate clearly between what he considers real, because of its physical manifestations, and what he considers real because of an abstract conception. Spengler has shown that modern culture brought with it the ability to conceive abstractions in all lines of human endeavor and thought.

"The moment that credit instrumentalities no longer were actual certificates of deposit, but represented media of exchange which had no physical counterpart," the firm says, "then the ancient ideas regarding money also lost their validity. As time went on credit and currency which was merely equivalent to credit became far more important in our economic life than the actual metals themselves. The volume and velocity of this type of currency is not limited by the production or supply of a particular physical commodity, it is actually created out of thin air.

"Bank officers putting their 'O. K.'"

upon the promissory notes of their banks' clients can affect the amount of money in circulation much more rapidly and directly than could the discoverer of a new gold mine in ancient times. It, therefore, becomes more evident that the very conception of the modern credit and monetary system gives gold a role which is far less important than it had when money was a term used to describe the actual physical monetary medium.

"Inasmuch as most of our 'money' today consists of instrumentalities of credit, the role of gold must be different today than it was in previous economies. The principal function of gold now is to act as a brake upon the undue expansion of our important monetary medium—credit—and to maintain our confidence in that medium. Gold is now looked upon as a measuring rod and it is thought in Washington that by changing the measuring rod we can change prices. Actually, however, it seems to us that prices are apt to change much more in accordance with the volume and velocity of the money we actually use—credit—than in accordance with the standard yardstick, gold. It seems obvious, therefore, that although both gold and credit can be controlled, that the control of the bigger factor should be more important than the control of the smaller factor.

"Keeping the above outline in mind, the theory of managing the dollar and the price level by changing the gold content of the dollar takes its place naturally in the historical picture. The proponents of this theory believe that by controlling the last vestige of the physical element in our currency they can control the entire currency medium. It is evident that this theory would work if actual gold were the only money. The method of control would have to be different, but the theory would work if the only currency were gold. But we have seen that the modern credit system includes intangible elements which make it entirely different than a monetary system which uses only a physical commodity as money.

"The Cassel-Warren-Pearson-Fisher monetary theory harks back to an era which came to an end more than 500 years ago. Although it is said that the theory provides for a scientific and mod-

ern money, it is actually based upon economic conditions which have not existed in the Western World for centuries. The theory gains its novelty merely because of its methods, and these economists seem to us to take into account only those vestiges of an ancient monetary system which we are still incorporating in our modern economy and to disregard the much more important parts of our monetary system which were developed during recent centuries.

"Gold still is and probably will continue to be the universally desired element. We moderns have, however, used this universal desire not to make gold the only currency. Rather, we used the universal desire for gold as a basis of a mechanism designed to control the expansion of a currency which otherwise, human nature being what it is, would be uncontrollable and would, therefore, lead to the continual creation of new currencies whenever confidence in the old ones broke down because of excessive expansion.

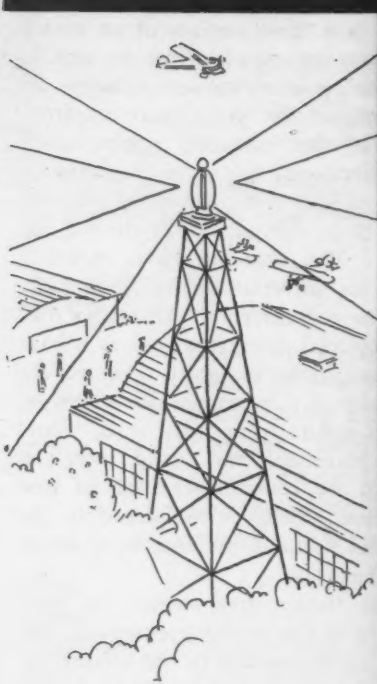
"The theory upon which the government is now acting presupposes that prices are determined by the balance between the supply and demand of commodities and the supply and demand of gold. While the influence of gold upon our monetary system is important in that it places a limit upon the expansion of currency, the price structure does not seem to be determined by such an easy mathematical equation between the physical demand and supply of commodities and gold.

"The intervening factor—credit—is susceptible to such tremendous variations, and these variations are influenced so much by man's own uncontrolled impulses and motives, that the commodity dollar theory does not seem to answer the problem in its entirety.

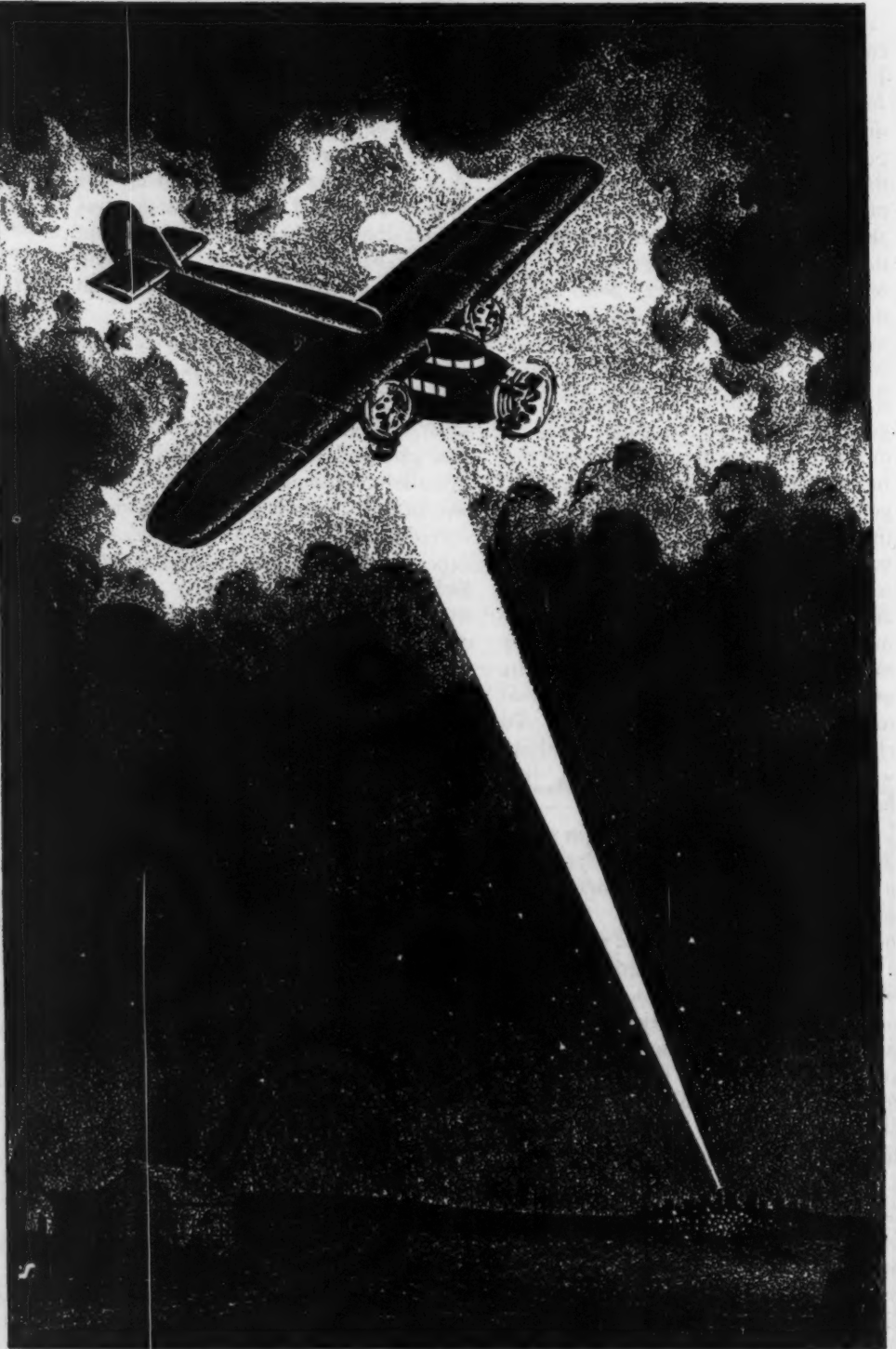
"It seems more logical to believe that prices depend more on the production and turnover of goods and the amount and turnover of credit than they do upon the control of the metal, gold. The world's economy has become much more complex since the time that the price equation contained gold as an important factor. It should be apparent, therefore, that any rise in prices which follows the present maneuvers at Washington will be due to an increased business activity or to an inflation of the actual currency medium—credit and paper money—than to the changes in the gold value of the dollar.

"It is, however, quite probable that if an inflation develops the gold value of the dollar will have to be decreased in order to finally establish a currency in which we can have confidence."

In 1934 · **BEWARE**




The air lanes of the nation are marked at regular and frequent intervals to guide the night flying pilot through the blind spots of darkness.



CREDIT

of Blind Spots

• *in credit*

OW for the Reconstruction Era—when credit lines must be tightened on old-timers too rigid and unyielding to compete with the day's new order—when over-ambitious promoters must be held in check—when youthful enterprise, feeling its first growing pains, must have its credit garments lengthened. Yes, a new day is just ahead. But, first, we must emerge from the present darkness of doubt and misunderstanding.

Like the pilot scudding cross-country on the night air mail run, the credit executive can not for one moment relax his vigil during 1934. He must watch for the beacons which, at frequent and regular intervals, will keep him on his course.

Book credit ratings and reference reports are poor equipment to depend upon under today's conditions. But Credit Interchange Bureau Reports are like the pilots' beacons—illuminating, regularly spaced and frequent enough to eliminate blind spots.

Pilot your credit department through the blind spots of 1934 by using Credit Interchange Bureau Reports on all of your accounts.

• • Poor information, not poor judgment, causes most credit losses



INTERCHANGE BUREAUS

• • National Association of Credit Men • •



In the modern office

An idea and experience exchange on equipment, system and management in the modern credit and business office.

End-bound blank book

Among the many new items that the Yawman and Erbe Manufacturing Company, Rochester, N. Y., is bringing out at this time is the new "Empire" perforator, or paper punch. This new device is exceptional in strength, mechanical features and striking appearance. The wide sweep of the new "Empire" lever gives maximum power and greater punching ease. This perforator will take 46 sheets of 16 substance bond and perforate them at one time with ease.

The long punching lever is elevated so as to give clear vision of the working bed at all times. The base and lever are die cast of strong metal, attractively finished in brushed black and silver. Wherever these perforators have been shown and used they have met with instant acceptance. The growing demand for binder folders and the use of paper fasteners have increased the demand for a high leverage perforator. The "Empire" is designed to meet this need.

Perforator of great power

The National Blank Book Company of Holyoke, Mass., has perfected a line of end-bound blank books to meet the demand for books that will give superior service at points of greatest wear—ends, corners and backs. Books that are pulled across desks, and put in racks or safes are almost always put up on end. Hence the cloth on the bottom of the book wears out first. To avoid this, National end-bound books are completely bound on top and bottom ends with red leather, augmented with leather hubs on the back, and texhide sides. This book contains Eye-Ease green-tinted Hammermill ledger paper ruled with brown and

green ink, a combination that is said to be easy on the eyes. With all these features, the new books do not cost more than ordinary blank books.

Duplex calculator

A new duplex calculator having an extra register for accumulating grand totals and a special mechanism for facilitating subtraction, was announced by the Burroughs Adding Machine Company at the National Business Show held recently. This new product, it is claimed, eliminates entirely the extra operations ordinarily required in recapping the results of individual calculations. It also makes possible a new and faster method of subtraction than has ever before been possible on key-driven calculating machines.

What's an executive?

The NRA codes have brought to the executive a distinction which he never before enjoyed. They say that he shall be exempt from the provisions regulating the working hours of other white-collar employees. His work, it seems, is too important to brook restriction. Or is it that the NRA code writers realize that we have enough executives?

The question as to what work, if any, an executive does, has also arisen. This is being discussed more or less seriously (mostly less) in many offices. The best answer we have yet seen appeared in the *Red Book Magazine*.

"Executives are a fortunate lot. For, as everyone in an office knows, an executive has nothing to do except:

"To decide what is to be done; to

tell somebody to do it; to listen to reasons why it should not be done, why it should be done by somebody else, or why it should be done in a different way and to prepare arguments in rebuttal that shall be convincing—

"To follow up to see if the thing has been done; to discover that it has not been done; to inquire why it has not been done; to listen to excuses from the person who should have done it and did not do it; and to think up arguments to overcome the excuses—

"To follow up a second time to see if the thing has been done; to discover that it has been done incorrectly; to point out how it should have been done; to conclude that as long as it has been done it might as well be left as it is; to wonder if it is not time to get rid of a person who cannot do a thing correctly; to reflect that the person in fault has a wife and seven children, and that certainly no other executive in the world would put up with him for a moment; and that, in all probability, any successor would be just as bad or worse—

"To consider how much simpler and better the thing would have been done had he done it himself in the first place; to reflect sadly that if he had done it himself he would have been able to do it right in twenty minutes, but that as things turned out he himself spent two days trying to find out why it was that it had taken somebody else three weeks to do it wrong, but to realize that such an idea would have had a very demoralizing effect on the organization, because it would strike at the very foundation of the belief of all employees that an executive has really nothing to do." "Clement Comments"



Hopefuls

The Louisville, Ky., basketball league has this group in its line-up. The gentlemen play for the Louisville C. M. A. The non-playing gentleman is 'Kunnel' Sam Schneider, suh, Louisville Sec.-Mgr.

What makes angels.—YOUNG HUSBAND—"Last night when I got home, my wife had my chair drawn up before the fire, my slippers ready for me to put on, my pipe filled, and—"

CYNIC—"How did you like her new hat?"—*Tit-Bits.*

Hard cash for hard times!

(Cont. from page 10) hopelessly in debt. The orthodox, normal way is for that man to take advantage of the Bankruptcy Law. To ask a man to do this in most instances is unfair. I would subscribe to the doctrine that it was. Bankruptcy does not grace one's family crest or build pride of citizenship.

Secondly, it is possible to have a debtor meet with his creditors and by private arrangement, or agreement, or understanding, come to some decision that will allow him, assuming he is willing to put forth some effort to partially relieve him of his burden, and not force him to stigmatize his fair name with bankruptcy. The National Association of Credit Men issues this relief day in and day out, to scores, and in sums of millions of dollars. It calls for the co-operation of creditors and for an honest statement and presentation of facts on the part of debtors.

The third way to try to bring this relief is to try to restore values in the assets that the debtor possesses to a level that will enable him to discharge his debts. This nation at the moment is engaged in an endeavor to bring about such a restoration of values through a monetary program.

Of the three methods to bring relief, I unhesitatingly state that in my opinion the first two are the least disturbing. The third, I believe, brings with it many inequities. It is not meeting the problem directly where it should be attacked. It causes untold suffering *anew* by shifting the burden on the backs of those to whom it does not properly belong. Nevertheless, we must face facts as we find them, and no one, it seems to me, can be critical of the Presidential program unless they are certain they know exactly what that program is.

We of this generation have a responsibility no less than those which have gone before. The old virtues of thrift and frugality have meant much to our nation in the past. These virtues are conducive to the building of better citizenship. They should be the guideposts to our children in pointing the way to exemplary lives. We should not destroy all hope of a continuation of

these virtues by dishonestly tearing down this structure this exercise so valiantly built. The mortal enemy of economic virtue, the real Frankenstein of modern civilization—fiat money—will be challenged in the next issue.

Semaphores show clear track

(Cont. from p. 15) the compliance with codes on credit and collection procedure than any single or group of industries can possibly be.

Credit forces back of association management throughout the country have in constant mind, a demand for efficiency, and a resolve to dispense with inefficient management.

Governing boards of local associations no longer confine their work to arranging meetings, planning a Christmas party, developing a credit forum, etc. (and I do not minimize the importance of all activities that bring closer personal contact of the membership), but in addition they are constantly checking upon the needs and demands of members, and seeing to it that the national and local office mechanism and personnel

meets these demands of members.

Lastly, our association source of power is membership. Its strength is in collective thinking and cooperation. It is the duty and responsibility of every member to be active.

Mending an antique.—"So you think you would be a suitable valet for me," said the old man to the applicant. "I must remind you that I'm pretty much of a wreck. I have a glass eye, a cork leg, an artificial arm that needs looking after, not to mention a wig and false teeth."

"That would be all right, sir," responded the other. "I've had plenty of practise. You see, I once worked in the assembly-room of a big motor concern."—*Humorist.*

When 'tis folly to be wise.—YOUNG WIFE—"Oh, I'm so miserable. My husband has been out all the evening, and I haven't the faintest idea where he is."

EXPERIENCED FRIEND—"My dear, you mustn't worry. You'd probably be twice as miserable if you did know."—*Boston Transcript.*

SAVINGS BY USING STANDARDIZED N. A. C. M. FORMS

"There are two sides to everything."

But there's no difference between the sides concerning the use of N.A.C.M. Credit Forms. Because there's only one point in question—SAVINGS. And every user agrees that N.A.C.M. Credit Forms bring savings through systematization and simplification. Find out for yourself why the majority is right. Fill out this coupon and mail it today. Save sooner!

National Association of Credit Men, One Park Avenue, New York, N. Y.
Send me your new—free—folio of credit forms with samples and prices.

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Notes About Credit Matters

Irving Trust Co. upheld in receivership cases

Because of its unique designation as official receiver, the suit against the Irving Trust Co. of New York has attracted much attention. Recently the U. S. Circuit Court of Appeals affirmed the decision of the District Court in refusing to grant the application made by Dorothy Weissman Nisonoff, holder of 13 shares of stock of the Irving Trust Co., to enjoin the latter from making certain charges against estates administered by its receivership department, the "Daily News Record" reports.

While affirming the decision denying the injunction, the majority opinion written by Judge Chase and a supplemental opinion written by Judge Manton contain observations which appear to indicate judicial doubt as to the legality of some of the charges made by the standing receiver.

Although one of the objects of the suit was admittedly to restrain the Irving Trust Co. from carrying out its agreement to accept all appointments as receiver of bankrupt estates, Judge Chase pointed out that aspect of the case was not pressed, but it was directed specifically at the object of obtaining an injunction to restrain the trust company:

(a) From making charges against and taking out of estates in bankruptcy of which it acts as receiver and/or trustee, in addition to its statutory commission, money for the services of its own employees;

(b) From making charges against and taking out of estates in bankruptcy for which it acts as receiver and/or trustee, in addition to its statutory fees, moneys for collections made by a group of its own employees functioning as its

private collection agency under the name of "Estate Collection Service";

(c) From taking profits on moneys deposited with it as depository by estates of which it was or is, at the time, receiver and/or trustee.

Judge Chase observed that the record shows that the standing receiver does what it is charged with doing, but pleads justification and authority for so doing under the court rules promulgated from time to time.

"What are actual and necessary expenses must be determined by the court in the light of the attendant facts in each case," commented Judge Chase after citing the provisions of the bankruptcy act relating to allowances for services and necessary disbursements.

"Yet in taking this view of the law it must be remembered that whenever a corporation acts as receiver or trustee everything it does must be done by someone acting for it, and ordinarily it must pay for the services rendered. To that extent the cost to it of such services is actual and necessary, but we do not mean to be understood that because the corporation must pay its regular employees for the services it performs through them for estates for which it acts as receiver or trustee that the expense to it of maintaining a personnel qualified to do that work, or the expense more broadly stated, of being and keeping itself competent to perform its duties as receiver or trustee can be charged in whole or in part as expenses to estates.

"Its compensation for being a competent receiver or trustee and for doing the work such a receiver or trustee customarily does himself must be found solely in the statutory fees and commissions; and it is the duty of the court to see to it that nothing more is allowed," continued Judge Chase.

"It is obvious that until and unless the defendant is allowed by the court and has received more than the law permits, it has done nothing unlawful and so ultra vires in respect to compensation," declared Judge Chase. "We point this out not for the purpose of indicating what our decision will be when the subject matter may be presented in an action which permits a decision on the merits; but to bring into clear relief the fact that the claimed ultra vires acts in respect to compensation consist in the receipt of allowances only when erroneously authorized by courts having jurisdiction of the subject matter.

The majority opinion holds that the plaintiff should have exhausted every means to remedy by action within the

corporation the acts complained of before instituting legal action and that until she has done so the court is without jurisdiction to entertain her suit.

The report filed by the Irving Trust Co. under date of Nov. 30, 1932 showing charges amounting to \$404,873 against bankrupt estates for services rendered by employees who received a total of \$1,241,575 between July 1, 1929 and Sept. 30, 1932, is cited in the supplemental opinion written by Judge Manton, who points out that it is difficult to apply the rules governing compensation in the Southern District with a standing corporate receiver acting as receiver and frequently as trustee.

"Its mere appointment does not entitle it to the statutory compensation and it has no right to charge as expenses the cost of services of some or all of its employees who do the actual work," asserted Judge Manton. "Section 62 of the bankruptcy act allows actual and necessary expenses and no more."

"A corporation, depriving the estate of the personal services of an individual, who would receive only the statutory compensation, cannot increase expenses because of its own non-personal existence by charging the services of some or all individual employees to expenses," declared Judge Manton. "Services which an individual receiver or trustee would perform for his statutory compensation, the corporation must perform for the statutory compensation."

"If the collection agency receives its collections by writing letters or other methods, short of collecting through the assistance of attorneys, it should not be allowed percentage compensation," asserted Judge Manton. "Such services must be regarded as the service of the receiver for which payment is included in the statutory allowance."

"A corporation, in a less advantageous position than an individual, necessarily forms an organization to perform services for it," continued Judge Manton. "Indeed it can act only through officers and employees. But it is for the service, which an individual would perform as receiver or trustee that the statutory compensation is allowed. To include other allowances violates Section 72; for expenses are not to be allowed for work of regular employees. An individual trustee, who, in addition to the usual service, gives the estate additional professional services as attorney can obtain no additional compensation. Likewise a corporation engaged in various forms of business is not entitled to additional compensation allowed under the guise of expenses if it chooses to place its various services at the disposal of the

estate, says the "Record."

"The injunction was sought also against 'taking profits on moneys deposited with it as depository by estates of which it was or is, at the same time, receiver and/or trustee,'" added Judge Manton. "The practice of this corporate receiver accepting deposits of the trust funds received from the various estates in bankruptcy is permitted under General Order 46 of the Supreme Court and Rule 30 of the District Court for the Southern District of New York, duly approved. The corporation is a banking institution and when it receives these moneys it does so as a banking depository. It acts in this dual capacity as receiver and depository by permission of the court. As a banking institution it is permitted to receive these deposits. It may make such use of the deposits as a banker as the law permits."

Questionnaire survey by the Economic Credit Council

Question I

What policy do you advocate regarding the money situation?

- A—Dollar maintained on present basis 59 or 54%
B—The commodity dollar 33 or 30%
C—Dollar devaluation . 16 or 14.5%
D—Unrestricted green-back issue . . 2 or 1.5%

Question II

Do you favor the government guarantee of bank deposit plan which takes effect January 1?

- Yes 64 or 67%
No 31 or 33%

Question III

Do you believe price fixing feasible?

- Yes 31 or 29%
No 61 or 71%

In all industry—

- Yes 8 or 8.8%

In some lines—

- Yes 31 or 34%

Wholesale price fixing—

- Yes 29 or 32%

Retail Price fixing—

- Yes 23 or 25%

Question IV

Do you believe the inflation sentiment in your area to be

- A—Growing? .. 25 or 27%
B—Declining? .. 39 or 42%
C—About the same strength as last winter? 28 or 31%

Credit careers



CHARLES A. COLTON

"Forty years in one organization may seem to be rather dull to those who must have change," says Mr. Colton in commenting on his business activities, "but the newspaper business affords me a ringside seat to all that has gone on in the 'Gay Nineties,' the first decade of 1900, the war and the post-war periods.

"To have missed it all would indeed have been a catastrophe. It has been a period of constant change—sometimes drab, sometimes colorful—but full of human interest and where could it be seen better than from the newspaper viewpoint. While I enjoy history tremendously, books like 'Our Times,' 'Only Yesterday,' and 'Peacock Alley' are vitally interesting because they describe days and people and places that I have seen. They are, therefore, much more real than those of hundreds of years ago.

"There is so much to see and read and learn today of art, science, literature and cultural topics without end, that time seems altogether too short to cover all of the interesting things that are offered to those now present. With the law work, the newspaper work, the wonderful contacts and friendships in the National Association of Credit Men, four decades have passed pleasantly and all too quickly."

That is the full-blooded reaction of Mr. Colton, as he looks back over his

own career. It is a career filled with events and interests. Born at Springfield, Mass., in 1880, Mr. Colton entered the business office of a newspaper in 1893. He received a degree of L.L.B. from Northeastern University Law School and in 1909 was admitted to the Massachusetts Bar. Admittance to the Bar of the Circuit Court of the United States came in 1910 and in 1925 he was admitted to the Bar of the Supreme Court of the United States. But the Bar has not been his only interest. He has contributed newspaper articles on various phases of real estate law and he has been a lecturer on the law in respect to newspaper libel.

In 1912 Mr. Colton became a member of the Boston Credit Men's Association. He has been extremely active in its affairs since that time, serving as a Director and Vice-President of the Boston Association and being organizer and chairman of the National Association of Credit Men's Newspaper Group in 1923. At the Detroit convention in 1932 he was elected a National Director. He has also been President of the Boston Chapter of the National Institute of Credit.

But business and association effort have not been his sole achievements. He has served as Chairman of the Library Trustees in his home town of Winthrop, Mass., as Chairman of the Republican Town Committee, as President of the Winthrop Historical and Improvement Association, and is now Treasurer of the Fourth Estate Lodge, A. F. & A. M.

It is evident from this little biography that it is really too early to write a biography of Mr. Colton. With such a variety of interests and such alert realization of what is going on in the world today, there is no doubt that numerous chapters will be added to this biography in the years to come.

Had One at Home

Smith: "I see where they have invented a machine for telling when a man is lying. Ever heard of it?"

Jones: "Sure."

Smith: "Ever see one?"

Jones: "Seen one? H——, I married one!"

Opened With Prayer

"My dear," called a wife to her husband, who was in the next room; "what are you opening that can with?"

"Why," he said, "with a can opener; what did you suppose?"

"Well," replied his wife, "I thought from your remarks, you were about to open it with prayer."

Cook's vitamins.—"How is it the biscuits were so hard this morning, Mandy?"

"I'se sorry, ma'am, but Ah ain't feeling right pert this mawnin'. My system's kinda run down, so I eat the only yeast cake there was in the house."—*Boston Transcript.*

Waiting for the cheer leader.—"I suppose you will miss your boy while he is at college?"

"Yep," replied Farmer Cornassel, "I dunno what I'll do without him. He got the live stock so they won't move unless he gives 'em the college yell, an' I can't remember it."—*The Quill.*

Credit in the codes

(Cont. from page 13) of sale; uniform contracts for listing and erection of forms in which terms and discounts definitely provided.

Retail Jewelry (Trade): Advertising and selling methods definitely defined. Discounts, rebates, commissions, etc., restricted.

Road Machinery Mfg.: Members to file with coordinating agency complete list of prices, terms, discounts, etc. Maximum term and minimum interest specified in code. Regulation of rental of current new equipment.

Rock Crusher Mfg.: Standard maximum discounts from list prices to distributors, jobbers, dealers, etc. Uniform terms of sale, maximum cash discount. No acceptance of

second hand equipment as part payment for new.

S.

Saddlery Manufacturing: No variation from standard terms of sale. No consignment sales.

Salt Producing: Terms of sale fully stated on invoices and strictly adhered to. No discrimination between customers. Prices and discounts openly and publicly announced. No secret allowances, discounts, advertising, rebates, etc.

Scientific Apparatus: File with proper authority statement of sales policy, sales discounts and conditions of sale with revisions from time to time. Usual unfair practices. (Supplement for Industrial Instrument Section) Cash discounts not over 1% or over ten days. (Supplement for Laboratory Supplies Section) Standard terms, no cash discounts. (Supplement for Laboratory Furniture Manufacturers Section) Standard net terms,—no cash discounts,—past due interest at 6%.

Shovel, Dragline and Crane: All payments on account to be made in cash. Cash definitely defined. Definite terms of payment on deferred payment sales. Maximum cash discount of 2%,—interest at 6%. Net cash sales defined. Regulation of trade-ins and rebates.

Silk Textile: Equal terms and prices to all persons making similar purchases. No shipping on consignment with payment delayed for more than ten days after receipt of goods. Standard terms for bands, ribbons, threads, flosses, etc.

Special Tool, Die and Machine Shop: Usual unfair practices such as secret rebates, unearned discounts, allowances, etc.

Steel Casting: File price lists and discount schedule with code authority. Unfair trade practices itemized covering the usual violations.

Steel Tubular and Firebox Boiler: Prices, terms and discounts openly and publicly announced. No allowance of unjust claims or commercial bribery.

Structural Clay Products: Each member to publish openly price list containing complete terms, discounts and other conditions of sale. Each branch of industry to establish terms of sale, maximum discount and credit practices. Credit terms to be uniform in each branch of industry to all purchasers in same class and uniformly enforced, provided that nothing herein contained shall prevent any manufacturer from enforcing credit or requiring special terms where he believes it necessary for adequate protection.

Manufacturers of structural clay products either on national, regional, or divisional basis, may exchange credit information and by agreement control or restrict credit for the purpose of eliminating losses to the industry. Failure to truthfully give such information or adhere to such agreements will constitute unfair method of competition and violation of code.

Code Authority to submit to Administrator from time to time such recommendations as will improve operation of Code.

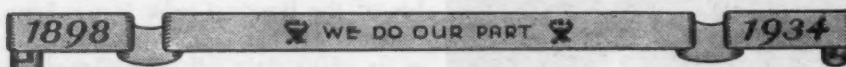
T.

Terra Cotta: Code authority to recommend as to unfair methods and conditions of trading.

Textile Bag: Terms of sale strictly adhered to. No allowances or secret rebates, refunds, credits, unearned discounts, etc. No discrimination between purchasers. No false or deceptive statements concerning financial or business standing of competitor.

Textile Machinery Manufacturing: No secret rebates. No variation from established terms of sale.

Toys and Playthings: No consignment sales, redating of orders, exchanging or accepting of returned goods after selling season, or other practices violating the principle



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of bona fide sale. No secret rebates, concessions of any kind. Full details of terms of sale as to prices shall be set forth in a written order. Maximum terms of sale and discounts. Shipments F. O. B. city of manufacture. Industry membership shall file net current price lists and discounts sheets with the code authority, with subsequent revision.

U.

Umbrella: No secret rebates, commercial bribery, refunds, etc.

Underwear and Allied Products Manufacturing: Price list and subsequent revisions to be filed with Secretary of code authority; also filed with code authority allowances of every description and condition pertaining to transportation charges, etc. Standard maximum terms and discounts and maximum rate of anticipation. No consignment sales or granting of rebates or other secret selling concessions.

Upholstery and Drapery Textile: Uniform sales contracts and order blanks. Prices f.o.b. mill. Maximum terms and discounts. No consignment. Regulation of returned goods. Usual unfair practices such as gratuities, etc. prohibited. Regulation of anticipatory interest.

W.

Wall Paper Manufacturing: No allowance of unearned rebates, credits, refunds, discounts, etc. Standard maximum sales and discounts.

Washing and Ironing Machine Mfg.: No cash discount in excess of 2%,—prohibits usual unfair practices, i. e., commercial bribery, special allowances, etc. Trade-in allowances prohibited.

Waterproofing, Dampproofing, Caulking Compounds and Concrete Floor Treatment, Manufacturing: Usual unfair practices such as commercial bribery, secret rebates, unearned discounts, etc. prohibited. Maximum terms of sale and discount. Prices f.o.b. factory. Consignment accounts prohibited. Consignment stocks on hand on effective date to be reported to Code Authority, together with nature of circumstances. Regulation of returned goods.

Wood Plug: Code authority from time to time present recommendations based on conditions in the industry. Price list, discounts and terms schedule filed with code authority. Usual unfair practices.

Wool Felt Manufacturing: Usual unfair practices such as secret rebates, unearned discounts, excessive allowances.

No Reference to Credit Matters in the Following Codes:

Air Transport Industry.
Automobile Manufacturing Industry.
Beet Sugar Industry.
Cap and Closure Industry.
Cotton Garment Industry.
Cotton Textile Industry.
Investment Bankers.
Linoleum Industry.
Liquefied Gas Industry.
Millinery and Dress Trimming Braid and Textile Industry.
Motor Bus Industry.
Motor Vehicle Retailing Trade.
Mutual Savings Banks.
Optical Manufacturing Industry.
Paperboard Industry.
Photographic Manufacturing.
Rayon and Synthetic Yarn Producing.
Retail Food and Grocery Trade.
Soap and Glycerine Mfg. Industry.
Stock Exchange Firms.
Wholesale Food and Grocery Trade.
Women's Belt Industry.
Wool Textile Industry.

Nannette—I caught my husband flirting.

Jeanette—That's how I got mine, too.

—"Lacma News"

"The worst is over"

"The worst of the depression is behind us," says Henry H. Heimann, Executive Manager of the National Association of Credit Men.

"A decided improvement can be realized in 1934 if we give reasonable application to the problems that face us and if certain essential policies are put into effect:

"First, the national budget for the next fiscal year should be balanced at all

costs. Nothing would do so much to insure better conditions in 1934 than a balanced budget. It is a difficult problem but a determined united people could solve it.

"Secondly, the uncertainty and instability of our medium of exchange must be corrected. Failure to stabilize up to this point was perhaps necessary in order to develop the proper setting for stabilization. Certainly the President is in better position to stabilize, now that sound money advocates have voiced their opinion and the inflationists have had their experiments."



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the U. S. F. & G. looks back over
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insurance service to the business
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Trenton—Central Jersey Division, New Jersey A. C. M. Mgr., F. E. McKenzie, 229 E. Hanover St.

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CREDIT and FINANCIAL MANAGEMENT JANUARY, 1934

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OKLAHOMA—Oklahoma City—Oklahoma Wholesale C. M. A. Sec., E. E. Barbee, 901 Cotton-Grain Exchange Bldg.
Tulsa—Tulsa C. M. A., Inc., Sec.-Mgr., C. L. Teale, 3rd & Boston Sts.

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Altoona—The C. A. of Western Pa. Dist. Mgr., P. A. Kerin, 1413 11th Ave.

Harrisburg—Harrisburg A. C. M. Sec., Earl Glace, Devine & Yungel Shoe Mfg. Co., 16th & Elm Sts.

Johnstown—Credit Assn. of Western Pa. District Mgr., S. I. Lasner, 634 Swank Bldg.

New Castle—New Castle A. C. M. Sec.-Treas., Ralph A. Cooper, 17 East North St.

Philadelphia—Philadelphia A. C. M. Sec.-Treas., Samuel Ardron, Jr., 220 So. 16th St., Cunard Bldg.

Pittsburgh—Credit Assn. of Western Pa. Exec. Mgr., H. M. Oliver, 9th St., Penn Ave., Westinghouse Bldg.

Uniontown—Credit Assn. of Western Pa. District Mgr., F. W. Mosier, 704 Second Natl. Bank Bldg.

Wilkes-Barre—Wilkes-Barre A. C. M. Sec., Geo. H. McDonnell, 606 Brooks Bldg.

PHILIPPINE ISLANDS—Manila Association of Credit Men, Inc. (P. I.), Sec.-Treas., Th. Meyer, P. O. Box 882.

RHODE ISLAND—Providence—Rhode Island A. C. M. Exec. Sec.-Mgr., Chas. E. Austin, Jr., 87 Weybosset St.

SOUTH DAKOTA—Sioux Falls—Sioux Falls A. C. M. Sec., W. J. Warren, care Dun & Bradstreet, Inc.

TENNESSEE—Chattanooga—Chattanooga A. C. M. Sec., Clarence H. McCollum, Suite 1115, Hamilton Nat'l Bank Bldg.

Knoxville—Knoxville A. C. M. Sec.-Mgr., W. A. DeGroat, 504 New Sprinkle Bldg., 508 Union Ave.

Memphis—Memphis A. C. M. Sec., E. C. Correll, 206 Randolph Bldg.; Asst. Sec., Miss G. E. Hess, P. O. Box 344.

TEXAS—Austin—Austin Wholesale C. M. A. Sec.-Mgr., H. C. Barnhart, P. O. Box 1016.

Dallas—Dallas Wholesale C. M. A. Sec.-Mgr., M. L. Barnett, Adjustment & Credit Interchange Bur., 322 Santa Fe Bldg.

El Paso—Tri-State A. C. M. Sec., J. C.

Fraser, 620 Caples Bldg.

Fort Worth—Fort Worth A. C. M. Sec., C. O. Baker, P. O. Box 1584.

Houston—Houston A. C. M. Sec., Morris D. Meyer, 433 First Nat'l Bank Bldg.

San Antonio—San Antonio Wholesale C. M. A. Sec., H. A. Hirshberg, 1619 Alamo Nat'l Bank Bldg.

Waco—Waco A. C. M. Sec.-Treas., E. G. Lilly, Citizens Natl. Bank.

UTAH—Salt Lake City—Inter-Mountain Assn. Cr. M. Sec.-Mgr., Robert Peel, 1411-17 Walker Bank Bldg.

VIRGINIA—Bristol—Bristol A. C. M. Sec., Geo. D. Helms, P. O. Box 333.

Lynchburg—Lynchburg A. C. M. Sec.-Treas., S. H. Wood, Lynch Bldg.

Norfolk—Norfolk-Tidewater A. C. M. Sec., M. P. Hardy, 319 Citizens Bank Bldg.

Richmond—Richmond A. C. M. Sec., J. P. Abernethy, 305 Travelers Bldg.; Asst. Sec., S. R. Howard, 305 Travelers Bldg.

Roanoke—Roanoke A. C. M. Sec., H. W. Hobson, Roanoke City Mills, Inc.

WASHINGTON—Bellingham—Bellingham A. C. M. Sec., W. F. Fisher, First Nat'l Bk. Bldg.

Seattle—Seattle A. C. M. Mgr., C. P. King, 7th floor, Alaska Bldg.

Spokane—Spokane Merchants Assn. Sec., J. D. Meikle, 718 Realty Bldg.; Asst. Sec., F. A. Stolz, 718 Realty Bldg.

Tacoma—Tacoma A. C. M. Sec., Edw. B. Lung, Tacoma Bldg. (Box 1346).

WEST VIRGINIA—Bluefield—Bluefield A. C. M. Sec.-Treas., Clyde B. Smith, Box 449.

Charleston—Charleston A. C. M. Sec., Ira W. Belcher, Rm. 400, 804 Quarrier St.

Clarksburg—Central W. Va. Credit & Adjust. Bureau Sec., U. R. Hoffman, 410 Union Nat'l Bldg.

Huntington—Tri-State A. C. M. Sec., C. C. Harrold, 228 First Huntington Nat'l Bk. Bldg.

Parkersburg—Parkersburg-Marietta A. C. M. Sec., J. W. Wandling, Dun & Bradstreet, Inc.

Wheeling—Wheeling A. C. M. Sec., E. K. Pfeil, 913 Hawley Bldg.

WISCONSIN—Fond du Lac—Fond du Lac A. C. M. Sec., Leo N. Richter, P. O. Box 213.

Green Bay—Northern Wisconsin-Michigan A. C. M. Sec., R. C. Creviston, Room 200, Northern Bldg.

Milwaukee—Milwaukee A. C. M. Sec., Jas. G. Romer, 632-646 The Milwaukee Gas Light Co. Bldg.

Oshkosh—Central Wisconsin A. C. M. Sec., Chas. D. Breon, 311 First Nat'l Bank Bldg.

Chicago A. C. M. in Merchandise Mart

The twenty-first floor of the world's largest office building, the Merchandise Mart, is to be the new home of The Chicago Association of Credit Men. The move, expected to be accomplished between Christmas and New Year's, will permit all of the departments of the Association to be housed under one

roof, thus speeding up service to members and saving time, previously lost in supervising scattered departments.

It was the desire of the Board of Directors to be of greater service to the business houses within its territory that was responsible for the increased facilities. The new quarters in the Merchandise Mart will permit a continuance of the expansion program which has been deemed advisable to meet increased needs of business. In the Mart are located some 1,800 firms, wholesalers and manufacturers' representatives, for the most part, handling nearly 4,000 lines of goods, and distributing them through channels thoroughly familiar to the personnel of various departments of the Association.

Service that is service

The idea behind the N. A. C. M. and its service departments finds expression in a recent editorial in Pittsburgh's weekly bulletin which declares that "every credit file should contain ample justification for the opening of an account. It should also show periodically that the account has the right to remain on the books.

"There never was a failure that somewhere along the line efficient, dependable credit service, intelligently interpreted, would not have flashed the danger signals sufficiently in advance to have reduced if not avoided loss altogether. The vital question is not why did your customer fail, but why was he your customer when he did fail?

"If the estimates of the preventable credit losses sustained by American business are even approximately correct, they amount to vastly more than is expended for the data used for controlling its credits; meaning, of course, that whether the Credit Department has access to and uses adequate credit services or not, it pays for them in the end. No single service procurable is comparable to that which gives an accurate picture of a debtor's paying record, especially if available at regular intervals and if the experiences are known to be of a given date.

"Your Association is the only medium through which such service can be procured. In addition, the Association office is not only the clearing house for ledger information but is a reservoir through which the Credit Departments of its entire membership can be drawn upon for assistance in the solution of unusual problems."

Answers to credit questions

Conducted by E. B. Moran

The National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in *Credit and Financial Management*. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principle of law involved.

Bulk Sales Act

Q. If we sell goods on credit to an individual over a period of years and he incorporates without any notice to us, have we any recourse to collect the money owed us by the individual from the assets of the corporation?

A. Yes. Under the New York State Law, a corporation is a distinct entity and when an individual sells his assets in their entirety to a corporation without any notice to creditors, the transaction comes under the Bulk Sales Act, and the purchasing corporation holds the assets as a receiver for the creditors to the extent of their claim.

Checks

Q. If a check given in payment for goods bought, is held undeposited by the seller for one week and at the expiration of the week and before the check is presented for payment, the bank upon which it is drawn closes, can the seller obtain another check from the purchaser on the ground of the worthlessness of the first check?

A. Ordinarily no. The Uniform Negotiable Instruments Law, adopted with minor variations by every state as well as Alaska, District of Columbia, Hawaii and the Philippine Islands, requires presentation for payment within a reasonable time.

What constitutes a reasonable time is a matter of judicial interpretation in whatever state the case is brought and the opinions on this are so varied that we would suggest consulting an attorney in your own state, when confronted with such a situation in your state.

In a recent decision handed down by

the Supreme Court of Mass., the court held that when a check was mailed from Boston to Plymouth on the tenth of the month, and not presented at the Plymouth Bank for collection until the 15th, the payee was negligent in presenting it, and could not recover from the purchaser when the U. S. Government authorities took the banks over on the morning of the 15th. The facts indicated that the check would have been paid if presented for payment before the close of business on the 14th.

It was further held that a person receiving a check at a distance from the place of payment must forward it to that place by U. S. mail or other recognized method on the next business day. The party receiving it for collection must then present it for payment on the following business day, otherwise the holder must bear any loss sustained.

The one day rule has been held reasonable in several other jurisdictions, so that due diligence is necessary at all times when presenting a check for payment.

Pooled accounts

Q. What is meant by "pooled accounts"?

A. "Pooled accounts" is simply another term for a form of adjustment of a debtor's past due obligations, which is frequently experienced and handled by the Adjustment Bureaus of the National Association of Credit Men, to enable a dealer or other debtor to adjust his or her obligations without court procedure or liquidation and to afford that dealer or debtor a chance for rehabilitation. The term "pooled accounts" is commonly used in the case of individuals.

The debtor brings all his bills to the Association, Bureau or an attorney, together with an accounting of his wages or income and a statement of needs for living expenses, or if a commercial account, his operating expenses.

The difference between the income and the living or operating expenses is then turned over to the bureau or attorney to be divided up, share and share alike, among the creditors at periodic intervals.

The forming of a "credit pool" to receive such payments in a lump sum and allocate the money among the creditors is similar to the process followed by creditors committees in case of business enterprises which are in difficulties, but which can pay out if given time, and not forced into bankruptcy by impatient creditors or collectors.

The operation of such "credit pools," or "creditors committees" to administer the affairs of a debtor are only possible with the complete cooperation and agreement of all creditors.

Salesman's list

Q. Is there any possible way of obtaining the return of a list of customers held by a former salesman?

A. Numerous controversies involving the use of the names of customers and prospects have been brought before our various courts. The law on this subject has been thoroughly adjudicated. It is well established that a list of this kind is valuable property which neither an employer nor a salesman may wrongfully use without incurring liability.

In discussing the liability of an employer for converting a salesman's list of customers and prospects, it is advisable to emphasize the fact that where a representative is employed on a straight salary basis, the employer is absolute owner of the list devised or compiled while the employee is carrying on the pursuit for which he is paid.

Where a salesman is employed on a salary and commission, or commission, the employer is the absolute owner of a list of names collected by the employee, providing a contract exists between the two persons to the effect that the title of such property shall remain in possession of the employer both before and after the relation of employer and employee is terminated.

On the other hand, a salesman who is employed on a straight commission basis may have exclusive ownership of a compilation of names which he makes.

We are not certain of the intent of your question. This answer is a generally accepted rule. If you ask as a matter of general information, we believe the same is answered. However, if you have such a problem, we suggest the facts pertaining to the same be presented in detail to your attorney for consideration, decision or action.



Bugs to Burn

"You see that old boy over there? He thinks in terms of millions."

"He doesn't look to me like a financier."

"He isn't. He's a bacteriologist."

—Karikaturen.

True Enough

Jack: "Why cannot a deaf man be legally convicted?"

Jill: "Because it is unlawful to condemn a man without a hearing."

A Correction

Old Subscriber: "I have called to ask you to correct a mistake in your report of a speech by Mr. Bloggs, the Independent candidate, in your this week's issue."

Editor of Weekly Hustler: "Do you represent Mr. Bloggs?"

Old Subscriber: "No. I was the voice from the back of the hall which you reported incorrectly as shouting 'It's a lie!' What I really said was 'You're a liar!'"

50c An Hour

Traveler: "How much is my bill?"

Clerk: "What room?"

Traveler: "I slept on the billiard-table."

Clerk: "Fifty cents an hour."

Pioneers and traditions

(Cont. from p. 21) provided some new ideas that had become important to the Association's progress. A committee appointed for the special task of inquiring into the matter in which insurance companies had taken care of their contracts with sufferers in the San Francisco disaster, offered its report and it proved to be so complete and so judiciously arranged, that copies were in demand for several years. Though the Association's income was still meager, its income and outgo were found in balance upon report of the Treasurer to this convention.

The membership had reached a total of 8647, Associations had been added at Newark, Lexington and Montgomery. The only occasion for a formal ballot in an election to the President's office occurred at the Chicago convention. Mr. F. M. Gettys of Louisville and T. P. Robbins of Cleveland were nominated for the Presidency; the debate ran high but was devoid of any unpleasantness. Mr. Gettys won by a small margin, George R. Barclay of St. Louis, one of the Association's pioneers, was elected first Vice-President, and D. S. Ludlum of Philadelphia, second Vice-President. A new figure now appeared on the National staff, W. W. Orr, who became identified with the Association's publications and has remained a well-known personage in Association circles.

The gathering financial clouds were distinctly perceived at this convention, and a special Committee on Currency was authorized and appointed.

The spectacular climax was rapidly approaching. Sources of money supply abroad had dried up, the over-expanded

condition of some of the banks and trust companies was vividly apparent, confidence was ebbing, the hoarding of currency started, and on an eventful day in October, 1907, the Knickerbocker Trust Co. of New York City, with 17,000 depositors and thirty-five millions of demand deposits, closed its doors. Other institutions were immediately importuned by crowds for deposit withdrawals; this led to the closing of other banks and trust companies, with fifty-seven millions of demand deposits. On October 24, the whirlwind centered in the Stock Exchange. Prices began to melt away, interest was boosted to 125%, pandemonium reigned, the panic was on, and disorderly liquidation would have taken a much larger toll had not monetary relief been arranged by a prominent private banker.

If

you have liked these five articles on N.A.C.M. history—and there are more to come—let us know whether you would care to have them compiled into a booklet at the publication cost of 50 cents. We've had several requests already. If enough are received we can go ahead with this idea.

Small business, that was in no wise responsible for this disaster, was now swirled into the vortex, the last month of 1907 showed larger commercial losses than had occurred in the same period of the previous year. The situation was carefully reviewed by the Directors of the National Association at their winter meeting. Governed by the real nature of conditions the following declaration was adopted and broadcast:

"Resolved, that the Association call on all of its members to support one another in an effort to restore the confidence of the people so unnecessarily shaken at the moment, and to urge upon everyone the necessity for upholding business interests by depositing their moneys now as in the past in the banks of their respective towns and cities, to the end that it may be used for its legitimate purposes, viz., the carrying out of the vast business of the country and to restore confidence in the solvency and and prosperity of the nation."

This was a straight-from-the-shoulder blow at hoarding.

The Currency Committee authorized

at the previous convention had for its Chairman James G. Cannon of New York, and was in the full swing of its work when the final year of this cycle opened. Congress was concerned over the banking and currency defects revealed by the recent panic. Senator Aldrich and Mr. Vreeland of the House, collaborated on possible remedies, and to meet the dangers of another currency famine put through Congress a unique remedial measure known as the Emergency Currency Act.

Senator Aldrich was apparently anxious to bring about a new banking and currency system, one that would fit in with modern needs and that there might be back of the attempt comprehensive and world-wide knowledge, the Senator secured a measure for the appointment of a Monetary Commission that would research through the world and codify its findings on banking and currency systems.

The various departments of the National Association were proceeding under full pressure. Fire insurance was a live subject in the Association's program. The protection of credit was still loose in some of its joints, and every danger was frankly treated in the various discussions and recommendations of these days. The guarantee of bank deposits appeared at this time as a public policy in the constitution of a new State, Oklahoma. W. A. Prendergast of New York made a real contribution to credit literature in writing a book titled, "Credit and its Uses." Removing the dangers of fictitious names in the operation of business enterprises became a new legislative policy. Kentucky and New Jersey enacted laws regulating the practice.

The convention of 1908 met in Denver. It was a notable meeting, with unique entertainment and interesting discussions. The membership had attained 9791, an increase of 3730 in four years. Sixty-six local associations were on the firing line. The Currency Committee made an interesting report; business conditions were canvassed and found to have receded because of the 1907 panic. A fundamental soundness was discovered, however, and signs of recuperation.

Mr. Gettys was re-elected President, F. H. McAdow of Chicago, first Vice-President, and W. A. Given of Pittsburgh, second Vice-President. The cycle closed with the Association showing not the least sign of strain, and, to the contrary, revealing brain and brawn made stronger by the test and more able than ever to carry on its destinies.



Court decisions



CLAIMS FOR SALESMAN'S COMMISSIONS. ACCORD AND SATISFACTION. EVIDENCE. (N. Y.)

The plaintiff, employed by defendant as estimator and salesman from July 11, 1930, to April 7, 1932, brought this action to recover for commissions alleged to have been earned during that period and in part unpaid. Plaintiff testified that under the terms of his employment he was to receive four per cent of the gross volume of business obtained by him where he prepared the estimate and secured the business. If another salesman secured the business and the plaintiff performed the estimating or if the plaintiff secured the business and other salesmen performed the estimating, commissions were to be equally divided between them. The plaintiff was to receive a drawing account of \$433.32, later reduced to \$390 per month, payable bi-monthly. Defendant's evidence was to the effect that, under the agreement, plaintiff was only entitled to one-half commission on business secured outside of the Borough of Manhattan and that by drawing account and advances he had been paid more than the commissions he had earned. The parties waived a jury and the court directed a verdict in favor of plaintiff for \$3,699.54.

Held that the evidence clearly established an accord and satisfaction of plaintiff's claim. On April 7th, plaintiff accepted a check for \$390, signed for the defendant by C. A. Jordan and Mrs. Smith. The check on its face is marked "Final—\$390." When delivered to plaintiff, it was endorsed in type, "Payment in full for commissions earned or to be earned and/or all claims to date," to which the plaintiff added, "Also subject to Mr. Broderick's letter of April 7, 1932," and signed his name. The letter so referred to was dictated and signed by plaintiff on April 7th in the office of defendant and by him placed on the desk of Jordan, the defendant's district manager. It reads: "This communication will serve to acknowledge receipt of check in the amount of \$390 as of April 7th, which I am compelled to receive under protest subject to adjustment of my account. (Signed) J. F. Broderick." Plaintiff's testimony to the effect that the check of April 7th was received by him only in payment of salary for the month of April is conclusively refuted by the written evidence. The plaintiff's acceptance of a check bearing the endorsement that it was in full payment of "commissions earned or to be earned" is entirely inconsistent with his present claim that the check was intended as salary for the month of April. From his letter, written on the same day, it also appears that he must have been aware that the check was tendered in satisfaction of any claim he might have for commissions and not as salary. Other-

wise, he would not have stated that he was "compelled" to receive it and that he did so "under protest." Having accepted the check on the express condition that it was in satisfaction of a bona fide controversy then existing between the parties, the plaintiff could not use the check and disregard the condition. Judgment reversed, and judgment directed for defendant. *Broderick v. Keasbey & Mattison Co.* N. Y. App. Div., 1st Dept. Decided November 3, 1933.

CONDITIONAL SALES CONTRACT. AUTOMOBILE. DEFAULT IN PAYMENT. REPOSSESSION BY VENDOR WITHOUT NOTICE TO VENDEE. PERSONAL PROPERTY IN CAR. TRESPASS. (N. C.)

Held that, where the purchaser of an automobile signs a conditional sales contract stipulating that the seller or his assignee may repossess and sell the car without notice upon default in the payment of the purchase price according to the terms of the agreement, the seller or his assignee may exercise the right to repossess after default if repossession does not involve a civil trespass, but where the car is parked on a street by the purchaser and contains personal belongings of the purchaser, the repossession of the car without notice involves a civil trespass in the carrying away of such personal belongings of the purchaser. The purchaser in his suit for such trespass, although he may be entitled to compensatory damages, is not entitled to recover punitive damages. *Narvon v. Holleman Chevrolet Company et al.* N. C. Supreme Ct. Decided October 11, 1933.

CONDITIONAL SALES CONTRACT. AUTOMOBILE. DEFAULT BY VENDEE. REPOSSESSION AND SALE BY VENDOR. RIGHT TO RETENTION OF MORE THAN CONTRACT PRICE. (D. C.)

The Willifords purchased an automobile from the Owens Motor Company. The balance of the purchase price was to be payable in monthly instalments of \$37.00. The purchasers executed and delivered to the seller a conditional sales agreement, in which it was provided that title to the automobile should remain in the seller until the entire purchase price should be paid, and that upon default in the payment of any monthly instalment the seller might repossess the automobile. When the buyers defaulted in their payments, the car was repossessed by the seller and sold. The amount realized from the sale, plus the payments theretofore made by the defaulting buyers, exceeded by \$87.02 the price the defaulting buyers originally agreed to pay. The court below entered judgment in that amount. The seller contends that he was entitled under the contract, because of the buyers' default, to retain as liquidated damages for the use of the automobile all payments theretofore made. The first of three provisions in the contract authorizes the retaking of the chattel by the seller and its redemption by the buyer within five days by the payment of the "unpaid balance and the expense of retaking." If not redeemed, the seller is authorized to make such disposition of the chattel as he may "deem fit" and retain payments theretofore made as liquidated damages. The second provision is that the chattel may be sold "and the proceeds * * * shall be credited upon the amount unpaid hereunder"; and under the third provision, without selling the chattel, there may be credited "upon the unpaid amount" the "fair market value" of the chattel; and in either event, the buyer agrees "to pay the balance forthwith."

Held that the second and third provisions in the contract clearly indicate that it was not contemplated that the seller should retain

more than the contract price, plus expenses. Had the parties intended that the first provision should authorize the retention of all payments, whether the balance due was less or more than the then value of the chattel, consistency would have required the second and third provisions to authorize, in addition to the repossession of the chattel, the collection of the full purchase price. Judgment affirmed. *Owens Motor Co. Inc. v. Williford et al.* D. C. Ct. of Appeals. Decided November 6, 1933.

BREACH OF WARRANTY. TYPE-WRITTEN PROVISIONS AS CONTROLLING IN CONTRACT. (GA.)

The Saranac Corporation sued Duke on two promissory notes aggregating \$3,000, alleging that they represented the balance due on the purchase price of a machine manufactured by it. Duke filed a plea of partial failure of consideration, and another by which he sought to recover damages for Saranac's breach of warranty or guaranty. The trial court sustained the first plea and rejected the second, giving judgment in favor of Saranac for \$800. Saranac and Duke appeal. Duke and Saranac entered into a contract which provides: "The machinery herein specified is guaranteed by us to be well made. If any parts of said machinery fail through defect in workmanship or material within one year this company will replace such defective parts, * * *. This company will not be liable for damages or delays caused by such defective material or workmanship, and its liability is expressly limited to the replacing of parts failing through defect in workmanship or material. If a breach of warranty is claimed, the Saranac Corporation shall have the right to take back the property and the damages shall be limited to repayment of the purchase price." There was typewritten above the printed form of contract the following: "We will guarantee the machine to operate successfully on the work for which it is intended, and will make the blank like sample submitted at the rate of 80 per minute."

Held that the word "guaranty" is a collateral undertaking against some future default, whereas the word "warranty" is an undertaking "in presenti as well as in futuro, against the defect, or for the quantity or quality contemplated by the parties in the subject matter of the contract." But as those words are frequently used interchangeably, where the undertaking is a warranty, as it is here, it will be construed as such, even though referred to as a guaranty. Typewritten portions of the contract prevail over inconsistent printed provisions but both portions are to be considered as a whole and given effect insofar as they are consistent with each other. That part of the printed form which limits liability for defects in workmanship or material clearly had no reference to the liability assumed in the typewritten warranty. The plea of partial failure of consideration was based upon the claim that the machine failed to produce liners as rapidly as Saranac warranted it should. The typewritten warranty prevails over the printed form. The trial court rightly submitted to the jury the plea of partial failure of consideration. The stricken pleas sought additional credits for an auxiliary machine bought elsewhere by Duke to carry on his business. These outlays were not specifically allowable as separate and additional items of damage. Judgment affirmed. *Saranac Automatic Machine Corp. v. Duke.* U. S. C. C. A., 5th Cir. (Ga.) Decided November 9, 1933.

MOTOR TRUCK. IMPLIED WARRANTY OF FITNESS. SECTION 96, SUBD. 4, PERSONAL PROPERTY LAW. APPLICABILITY. PROCEDURE. (N. Y.) Plaintiff has recovered a judgment of \$1745 against defendant for breach of an

implied warranty of fitness for the particular purpose for which defendant knew plaintiff purchased a "Model 37 B Selden truck," the purchase being effected by the usual written contract of sale, in which plaintiff directed defendant to enter his order for the truck under its trade name, as above set forth, and defendant accepted the order. The contract also contained the following: "It is mutually agreed that there are no agreements or conditions pertaining to this order not stated herein."

Held that subdivision 4 of Section 96 of the Personal Property Law provides, "In the case of a contract to sell or a sale of a specified article under its patent or other trade name, there is no implied warranty as to its fitness for any particular purpose." It is clear that this was such a contract, and it follows that there is no implied warranty of fitness of the truck for any particular purpose to be inferred from it. There is no proof or claim in the case at bar that the truck was unmerchantable, so as to bring it within the provisions of the exception of the statute as to merchantable quality. The case was tried and submitted upon an improper theory. The judgment can not be sustained upon the proofs, and must be reversed. The Court can not dismiss the complaint, defendant having omitted to move at the close of the case for a dismissal of the complaint or for a direction of a verdict. A new trial must therefore be ordered. Judgment reversed and a new trial granted. *Colella v. Smith-Fredenburg Corporation*. N. Y. App. Div., 4th Dept. Decided November 10, 1933.

TRANSFER BY DEBTOR IN ALLEGED FRAUD OF CREDITORS. NON-COMPLIANCE WITH BULK SALES ACT. EQUITY ACTION TO SET ASIDE TRANSFER. POWER OF FEDERAL COURT TO APPOINT RECEIVER PENDENTE LITE. (N. Y.)

The suit is in equity by a trustee in bankruptcy to set aside an alleged fraudulent conveyance by the bankrupt, Louis Cohn. The trustee has made a motion, on notice to the defendants, for appointment of a receiver pendente lite of the assets alleged to have been transferred. The facts shown by plaintiff's affidavit are that the bankrupt had formerly conducted business under the name of Fulton Manufacturing Company, and that in February 1931 Simon & Cohn, Inc. gave him notice of a claim based on breach of contract. Summons in a suit by Simon & Cohn, Inc. was served on April 28th, 1931. Meanwhile in March 1931 the defendant corporation, Fulton Uniform Co., Inc., was organized by the bankrupt and two relatives. All the assets of the bankrupt were transferred to this new company, for no consideration other than that all the capital stock was issued to bankrupt's son at the bankrupt's direction. There was no inventory, list of creditors or notice to creditors, as required under the New York Bulk Sales Act. The bankrupt was made president and is still in charge of the business. Simon & Cohn, Inc., later recovered judgment against the bankrupt for \$11,169.99 for breach of contract. In April 1933 the bankrupt filed a voluntary petition in bankruptcy, listing Simon & Cohn, Inc., as his only creditor and showing no assets. The trustee in bankruptcy then commenced the present suit, asking that the transfer of assets by the bankrupt be set aside as a conveyance in fraud of creditors. Defendants filed answer admitting most of the allegations in the bill but denying that the conveyance was a fraudulent one. Defendants submit that the court has no power to appoint a receiver in a case of this sort, since it falls under none of the New York statutes providing for the appointment of a receiver of a corporation.

Held that this is a total misconception.

In a suit in equity in the federal courts, the power to appoint a receiver is wholly independent of state statutes. Where suit is brought to set aside a transfer in fraud of creditors, a court of equity has power on proper showing to appoint a receiver to preserve the property during pendency of the suit. The suit may be by a judgment creditor or a trustee in bankruptcy. The plaintiff has made a proper showing in this case, which is of a familiar type of fraudulent conveyance, and plaintiff's prospects of success at the trial are strong. Based on the past conduct of the bankrupt, the plaintiff's fears that the property may be dissipated by the time he obtains a decree are not groundless. Application for appointment of a receiver granted. *Greenthal, as Trustee v. Fulton Uniform Co., Inc. et al.* U. S. Dist. Ct., So. Dist. of N. Y. Decided November 15, 1933.

Apologies to Mr. Hellman and to the Chicago A. C. M.

The item on page 26 of the November issue under the title of "Collectability of Old Accounts," by Mr. M. E. Hellman, was credited through error to the Credit Ledger of Portland, Ore. It should have been credited to the News Bulletin put out by the Chicago Association of Credit Men. Mr. Hellman is the credit manager of the W. M. Welch Manufacturing Company of Chicago and is very active in the collection division of the Chicago Association. He has written a number of articles on collection service and has prepared a series of articles which will appear in the News Bulletin of the Chicago Association, the first number having appeared in the December number.

Explaining Mr. Phillips' collection letters

In the "This Month's Collection Letter" department in the November issue, appeared two letters written by Mr. H. P. Phillips, credit manager of the Columbia Alkali Corporation of Barberton, Ohio. The comment presented in connection with these two letters did not completely explain their purpose. The letter on the left headed "How would you like to have my job?" was designed to go to a "friend of the boss" or to the "pet of the sales department." The letter on the right was one of the last of a series of follow-up credit letters and made use of the membership in the National Association of Credit Men to bring pressure to bear on the delinquent account. There is no connection between these two letters by Mr. Phillips. The first one, as stated above, was used to handle that situation which faces many credit executives: handling the "friend of the boss." The second letter is a final shot in a series to delinquent accounts.

Individual and group responsibility

(Cont. from page 17) the plumbing and heating industry is different from what it used to be. Perhaps men are now more amenable to reason—financial stress having a direct bearing on some. At least, a little more spine together with more honesty with oneself and with the other fellow will go most of the route in redeeming our business from its present shame.

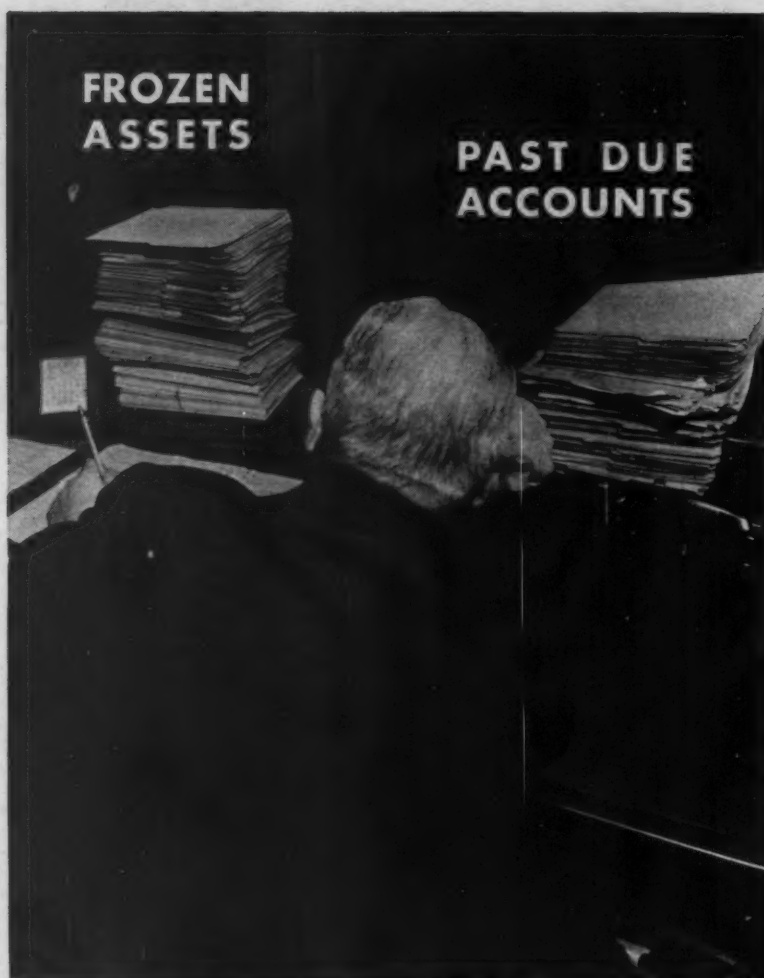
Lending our neighbors' cash

(Cont. from page 7) and generally lax requirements as to the obtainance of charters, makes stability during a period of crisis impossible. The bank holiday was made necessary by the departure of some banks from the fundamental principle of sound banking. A better devised system will certainly strengthen the banking structure during periods of adversity and I believe a better educated public will result in a more intelligent discrimination by the public with respect to the banks that do or do not adhere to the correct banking practices.

At the moment we should realize that Congress is endeavoring to strengthen rather than to destroy the banking structure. More intelligent cooperation and better understanding between the public, the government and the bankers will help. The granting of fewer charters, the standardization of state laws, the requirement of more adequate capitalization and better supervision and better management will all help, but we must remember that in no event can the banks become stronger than the economic life of the community which they serve.

A properly managed bank acknowledges its obligations to the public and to its community, but likewise the properly managed bank and the sound banker are asking the support of the community and are urging the public not to be misled by the easy liberality of the weak banks which results in moratoriums and losses to the unsuspecting depositor.

Farm relief has gone to various extremes in this country. We've subsidized the farmer to encourage acreage in the past; we're paying him now to grow less. But the Greeks have a way of their own. The Greek government plows land, we learned recently, for any farmer desiring it at a fixed charge per acre!



The easiest answer

The easiest answer to the eternal question: "How to realize the most from past due accounts and frozen assets in the shortest possible time?" is: "Turn your collection-adjustment business over to your own Collection-Adjustment Bureaus." It is the easiest answer because the bureaus are owned and controlled by you and set up as a branch of your own department. They are competent to handle *all* phases of your collection-adjustment problems. Their record shows that they return the highest average percentages in the shortest average time. The easiest answer in this case

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